

EXHIBIT 14

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SERGEY LEONTIEV,

Plaintiff,

-against-

ALEXANDER VARSHAVSKY,

Defendant.

Case No. 1:16-cv-03595-JSR

January 3, 2017

10:04 a.m.

*** CONFIDENTIAL ***

DEPOSITION of SERGEY LEONTIEV,
taken by Defendant, pursuant to Notice,
held at the offices of DEBEVOISE &
PLIMPTON LLP, 919 Third Avenue, New York,
New York before Wayne Hock, a Notary
Public of the State of New York.

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* * *

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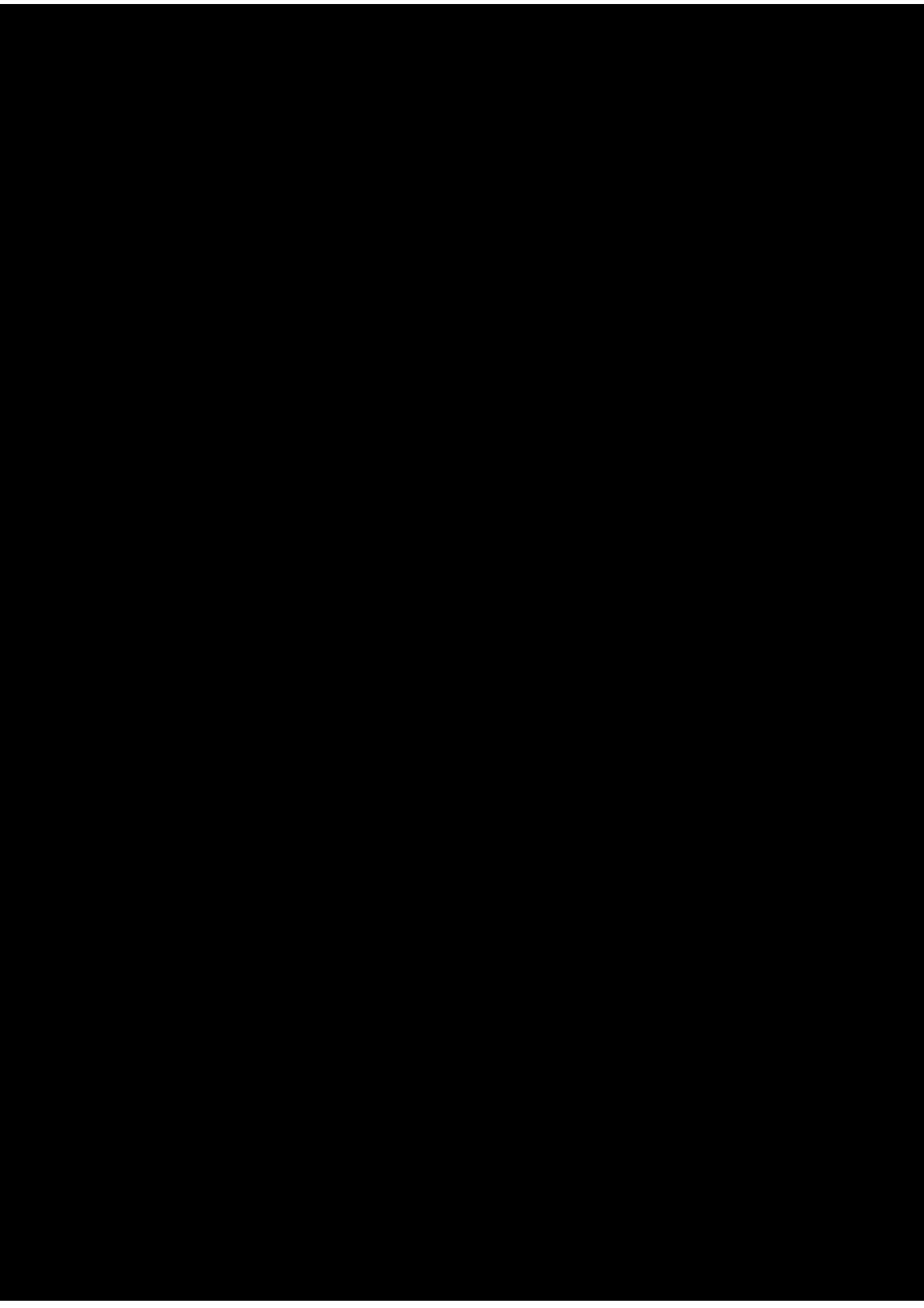
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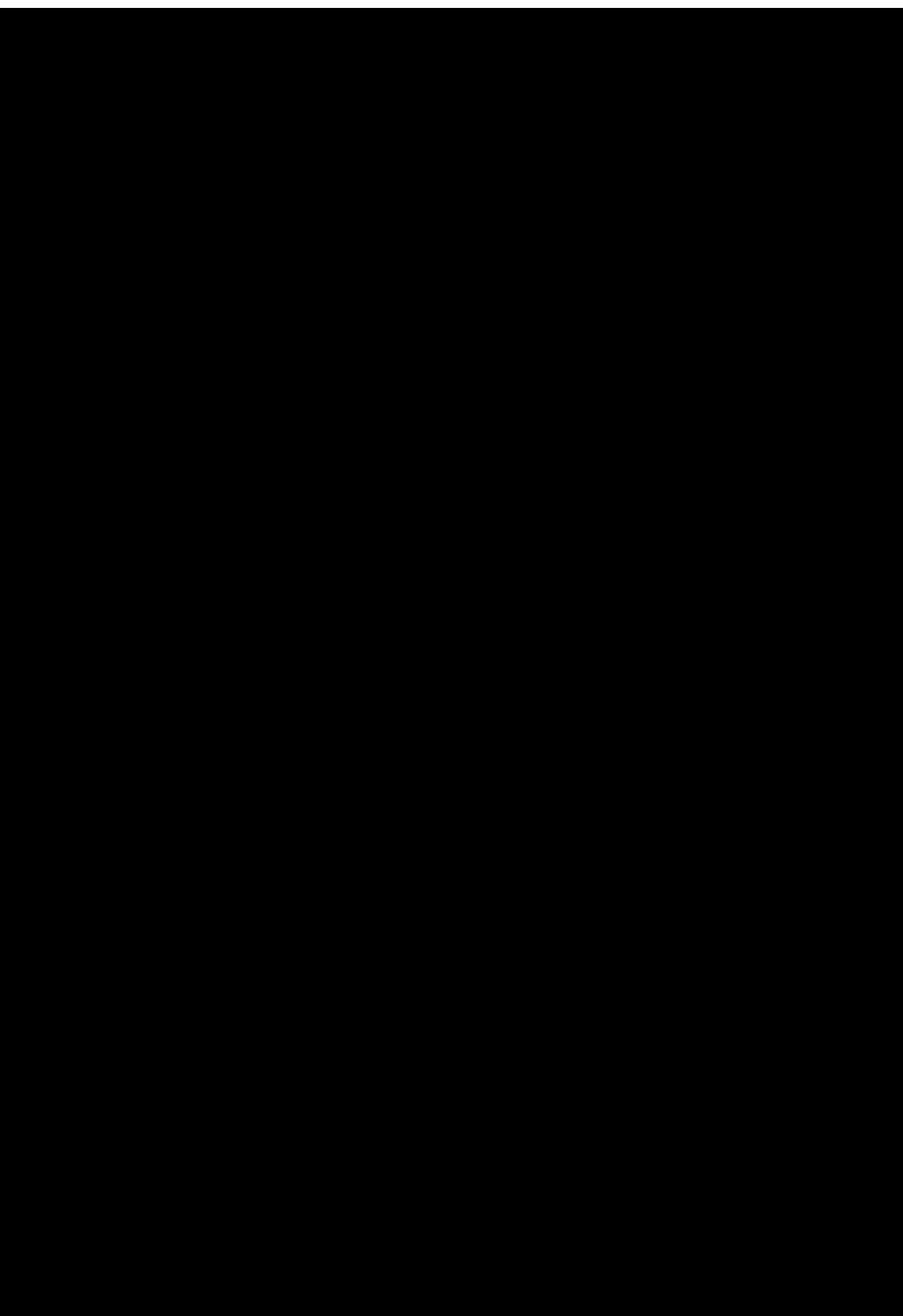
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23 Q. What was his role at
24 Probusinessbank?

25 A. He was head of the department.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. Which department?

3 A. Analytical department or shares.

4 Q. For?

5 A. Investments in shares or general
6 investments.

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23 Q. Who is Mr. Panteleev?

24 A. He was vice president of the
25 bank.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. What was his role at the bank?

3 A. He was head of business unit.

4 Q. Head of?

5 A. Business unit.

6 Q. Which unit?

7 A. He was doing some businesses in
8 retail loans.

9 Q. He was responsible for retail
10 banking operations?

11 A. Not whole retail, just some
12 business units.

13 Q. Okay.

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1 S. Leontiev -- CONFIDENTIAL

2 citizenship?

3 A. No.

4 Q. Do you know where she is now?

5 A. No.

6 Q. You don't know where she lives?

7 A. No.

8 Q. What was her role at the bank?

9 A. She was the head of department
10 for off-balance-sheet companies of the
11 bank.

12 Q. For off-balance-sheet companies?

13 A. Yes.

14 Q. We'll come back to that.

15 Yaroslav Alekseev?

16 MR. WEIGEL: What about Yaroslav
17 Alekseev?

18 Q. Do you know who that is?

19 A. He was vice president and head
20 of department.

21 Q. Which department?

22 A. Wealth management products.

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11 MR. WEIGEL: Sean, excuse me for
12 a minute, can you give me some clue as
13 to why this might have some relevance
14 to this lawsuit?

15 MR. HECKER: Mr. Weigel, the
16 relevance concerns whether certain
17 witnesses have received financial
18 support from Mr. Leontiev. I'm going
19 to continue asking the questions
20 unless you instruct him not to answer
21 the questions.

22 MR. WEIGEL: Well, none of these
23 people are witnesses, so far as I
24 know.

25 Are you representing that these

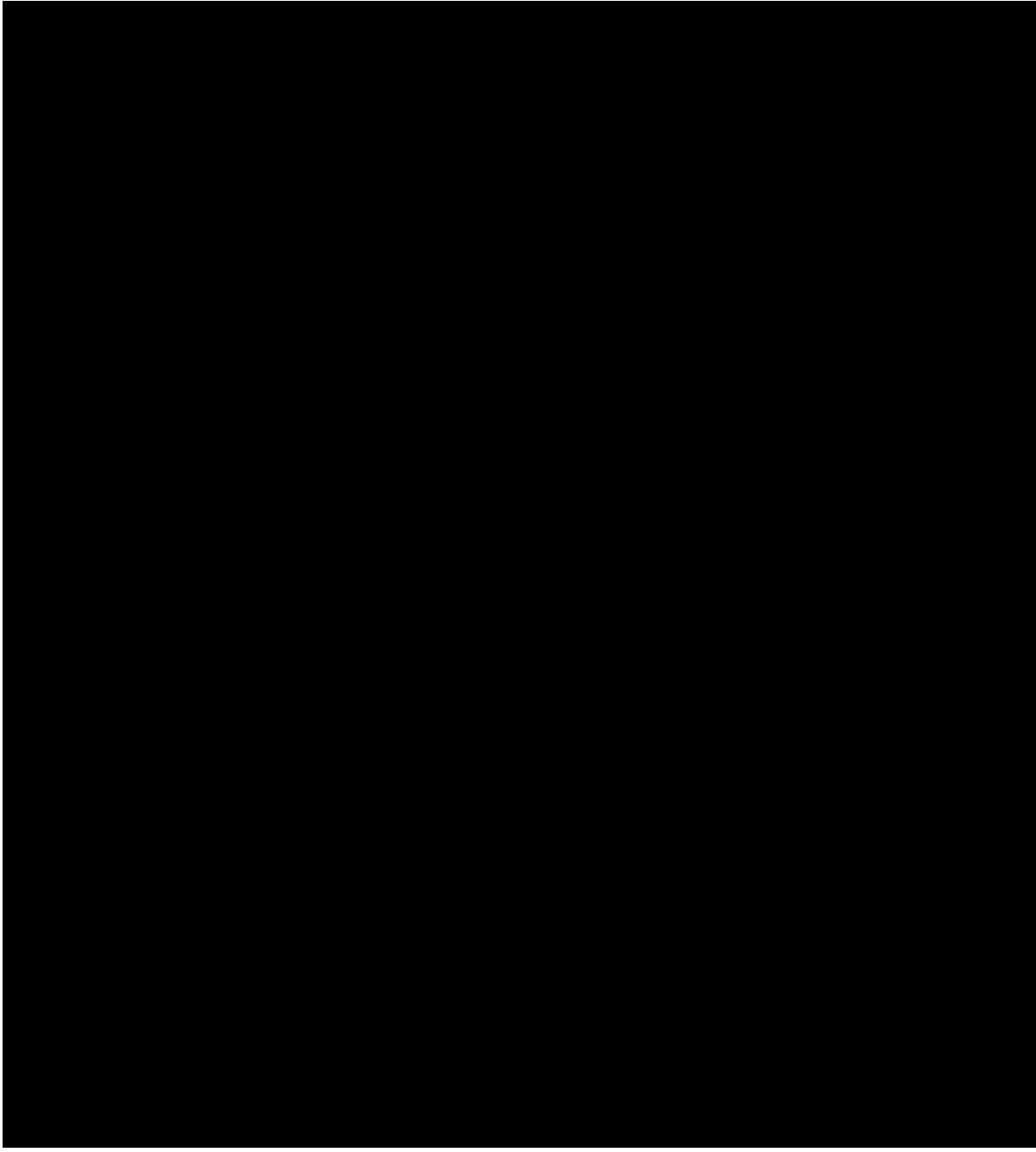
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2 people are witnesses in the case?

3 MR. HECKER: Some are, some
4 aren't. I'm going to continue asking
5 questions.

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15 Q. Now, have you ever actually
16 lived in Cyprus?

17 A. Several months.

18 Q. When?

19 MR. WEIGEL: I'm going to
20 instruct him not to answer. Let's
21 move on. This has nothing to do with
22 this lawsuit at all.

23 MR. HECKER: Whether he lived in
24 Cyprus?

25 MR. WEIGEL: Yes, why does that

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2 Q. And have you stepped foot in
3 Moscow --

4 MR. HECKER: Strike that.

5 Q. Have you stepped foot in Russia
6 since August, 2015? Have you been to
7 Russia since August, 2015?

8 A. No.

9 Q. Since August of 2015, have you
10 been present in the United States?

11 A. I came to the United States
12 either end of August or beginning of
13 September.

14 Q. Okay.

15 And since that time, have you
16 remained in the United States?

17 A. Yes.

18 Q. You haven't traveled outside the
19 United States?

20 A. Sorry?

21 Q. You haven't traveled outside the
22 United States since you moved here?

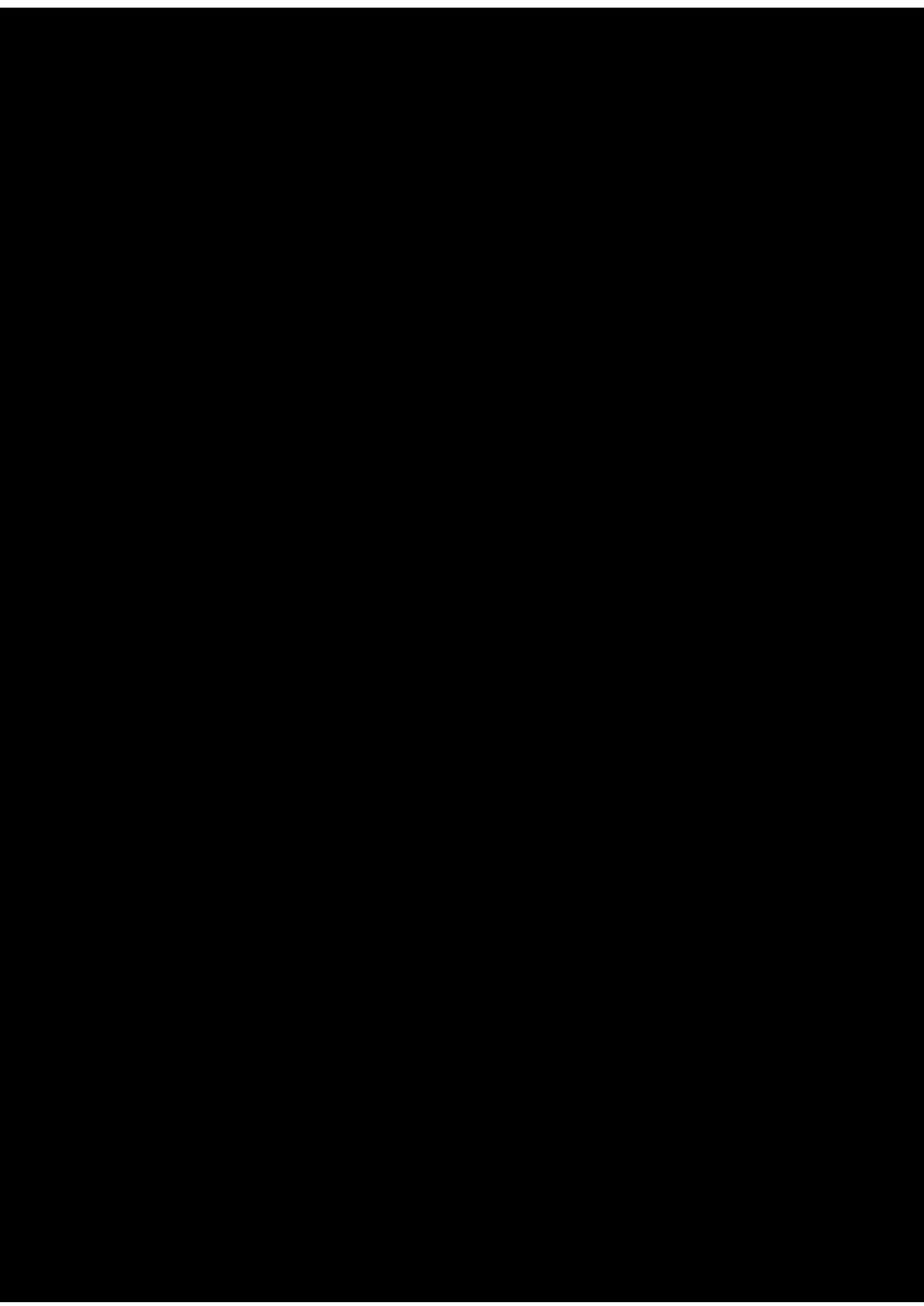
23 A. I haven't traveled.

24 Q. And are you a citizen of any
25 countries other than Russia and Cyprus?

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1 S. Leontiev -- CONFIDENTIAL

2 Q. How you what, I'm sorry?

3 A. How you evaluate the assets.

4 Q. How you value them?

5 A. Yes.

6 Q. Mr. Leontiev, what's your
7 current immigration status in the United
8 States?

9 A. L-1 visa.

10 Q. When did you obtain an L-1 visa?

11 A. A year ago.

12 Q. Am I correct that an L-1 visa is
13 given to executives of foreign companies
14 that establish a branch in the United
15 States?

16 A. Yes.

17 Q. And how did you obtain an L-1
18 visa to live in the United States?

19 A. As an executive for --
20 established a branch.

21 Q. As an executive of what entity?

22 A. Wonderworks.

23 Q. When did you become an executive
24 of Wonderworks?

25 A. No, executive of Grid Research.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. Well, which one?

3 A. I am an executive of Grid
4 Research.

5 Q. When did you become an executive
6 of Grid Research?

7 A. A year ago.

8 Q. So prior to the visa
9 application, you were not an executive of
10 Grid Research?

11 A. I was an owner of Wonderworks.

12 Q. But you didn't have a title; is
13 that correct?

14 A. I was main shareholder and chief
15 investment officer. I did have a title.

16 Q. You had a title at Wonderworks
17 of chief investment officer?

18 A. Yes.

19 Q. Prior to the time you applied
20 for your visa?

21 A. Yes.

22 Q. Who gave you that title?

23 A. The company.

24 Q. Are there any documents which
25 you've ever seen which identify you as the

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1 S. Leontiev -- CONFIDENTIAL

2 Q. 2011 to 2016?

3 A. I can't tell you exactly the
4 dates but it's about five years.

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2 Q. What's that one?

3 A. What's the question?

4 Q. What is Finbay?

5 A. What is Finbay? Well, I've
6 heard from the expert reports and already
7 being here in the U.S. that it was one of
8 the off-balance-sheet companies of the
9 bank.

10 Q. And when you say
11 off-balance-sheet company, you mean a
12 company that's not reflected in the
13 financial statements of the bank?

14 A. Sometimes some of the
15 off-balance-sheet companies are reflected,
16 sometimes not. It depends on the type of
17 product they provide to the client.

18 Q. Was Finbay reflected anywhere in
19 the financial statements?

20 A. I don't know.

21 Q. You don't know?

22 A. I don't know.

23 Q. What about Greater Divide
24 Limited?

25 A. I don't recall.

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2 Why don't you re-mark this, just
3 put a defendant's Exhibit 3 stamp on
4 this document so we're certain what
5 we're talking about if it ever comes
6 up again.

7 Q. Direct your attention to
8 appendix A.

9 A. Appendix?

10 Q. Appendix A. It comes after.

11 Do you have appendix A in front
12 of you?

13 A. Uh-huh.

14 Q. You need to speak verbally.

15 A. Yes.

16 Q. Do you recognize this document?

17 A. I found out about this document
18 already in the U.S.

19 Q. And you reviewed this complaint
20 before it was filed; correct?

21 A. Yes.

22 Q. You've seen this list of
23 promissory notes before; right?

24 A. I was reviewing. I didn't put
25 any effort to it specifically this

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1 S. Leontiev -- CONFIDENTIAL
2 document.

3 Q. Mr. Leontiev, am I correct that
4 you have no basis for believing that any
5 of the loans that are listed on this page
6 have been repaid?

7 A. Can you say it once again?

8 MR. HECKER: Can you read that
9 back.

10 (Whereupon the requested portion
11 was read back by the reporter)

12 THE WITNESS: I just don't know.

13 Q. Right.

14 But you have no basis for
15 believing that the loans were repaid as
16 you sit here now?

17 MR. WEIGEL: Asked and answered.

18 You didn't like the answer.

19 Q. Go ahead. You can answer.

20 A. Can you put the question again?

21 Q. Sure.

22 As you sit here now, you have no
23 basis for believing that these loans were
24 repaid; correct?

25 MR. WEIGEL: Asked and answered.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. You can answer.

3 A. Correct.

4 Q. Okay.

5 Now turn to appendix B.

6 This is a list of loan
7 agreements attached to the complaint;
8 correct?

9 A. Uh-huh.

10 Q. You need to speak verbally.

11 A. Yes. Sorry.

12 Q. And you've seen this before;
13 correct?

14 A. Again, the same answer. I
15 didn't go into this.

16 Q. You don't go into it but you saw
17 it before the complaint was filed;
18 correct?

19 A. I didn't pay attention, I just
20 read more the complaint.

21 Q. Well, let me ask you, as you sit
22 here now, am I also correct that you have
23 no basis for believing that any of the
24 loans reflected on appendix B have been
25 repaid?

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2 Q. More than twenty years?

3 A. Ten.

4 Q. More than twenty, also?

5 A. Somewhere in the 90s we start,
6 somewhere in the 90s. So maybe it's not
7 exactly twenty but maybe less.

8 Q. Do you trust Mr. Zheleznyak?

9 A. Of course.

10 Q. And based on your professional
11 and personal experience with him, he's an
12 honest man?

13 A. Yes.

14 Q. Have you ever felt that he's
15 been less than honest with you?

16 A. No.

17 MR. WEIGEL: I object.

18 Overbroad.

19 Q. Describe for me the partnership
20 that you and Mr. Zheleznyak had together.

21 A. We actually -- so partnership is
22 the wrong word. He was a shareholder, so
23 we were both shareholders. But there was
24 a general management concept in Group Life
25 that was called partnership.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. You were both shareholders in
3 what?

4 A. In Probusinessbank.

5 Q. You said there was a general
6 management concept in Group Life that was
7 called partnership?

8 A. Yes.

9 Q. Explain that to me.

10 What was the general management
11 concept?

12 A. What do you want to know? It's
13 just a broad thing.

14 Q. What was the general --

15 A. Do we have enough time?

16 Q. What was the general management
17 concept in Financial Group Life?

18 A. So the heads of business units
19 and the heads of branches and also some
20 loan officers, they were partners, so
21 there were about sixteen thousand people
22 who reported to me and among them there
23 were maybe several thousand partners.

24 Q. You called them partners?

25 A. Not only I called them partners

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1 S. Leontiev -- CONFIDENTIAL
2 but there was a partnership concept that
3 seems a little bit similar maybe you have
4 in your company. But because it was a
5 retail business, it was a different -- a
6 little bit different structure and a
7 little bit different rights, but that's
8 what we called partnership.

9 Q. These partners didn't own equity
10 in the Probusinessbank business; did they?

11 A. No, they didn't, but they had
12 the share of profits.

13 Q. So there was profit sharing as
14 part of the business model?

15 A. More than that but profit
16 sharing was part of it.

17 Q. Okay.

18 And when you said earlier that
19 your partnership with Mr. Zheleznyak was
20 part of the general concept of there being
21 a partnership at Financial Group Life,
22 that's what you're referring to?

23 MR. WEIGEL: I'm going to object.

24 It misstates the record.

25 Go ahead.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. You can answer.

3 MR. WEIGEL: He said partnership
4 was the wrong word.

5 A. Yeah, I just said exactly the
6 opposite actually from what you're saying
7 now.

8 Q. So let me try again.

9 Mr. Zheleznyak was not your
10 business partner?

11 A. I don't know what I understand
12 under the word "partner."

13 As I explained to you, in our
14 language he was a shareholder and we were
15 both shareholders and I have about two
16 thousand partners and he was not one of
17 these two thousand, that's right.

18 Q. There came a time when you had a
19 meeting in London with my client, Mr.
20 Varshavsky; correct?

21 A. Yes.

22 Q. And Mr. Zheleznyak was there?

23 MR. WEIGEL: Sean, if you're
24 going to go into a new topic, we've
25 been going about an hour. Why don't

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1 S. Leontiev -- CONFIDENTIAL

2 we take a break.

3 MR. HECKER: Okay. Go ahead, you
4 take a short break.

5 THE VIDEOGRAPHER: We're going
6 off the record at 11:03 a.m.

7 (Whereupon a break was taken)

8 THE VIDEOGRAPHER: We are back on
9 the record 11:17 a.m.

10 Q. Before the break, I asked you a
11 series of questions about your
12 relationship with Mr. Zheleznyak and you
13 took issue with my use of the term
14 "partner" to describe your relationship.

15 Do you recall that question and
16 answer?

17 A. I recall about the childhood.

18 Q. Well, do you recall being asked:
19 "Mr. Zheleznyak was not your business
20 partner."

21 Answer: "I don't know what I
22 understand under the word 'partner.'"

23 Do you recall that testimony?

24 A. Yes.

25 Q. Now, you've previously described

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2 Mr. Zheleznyak as your partner; correct?

3 A. Yeah, we used partners, friends,
4 we used these words when we were meeting
5 with each other.

6 Q. You described him as your
7 partner; correct?

8 A. No. How to explain? I can tell
9 you, Sean, you're my partner but
10 officially, I tried to explain to you what
11 it was officially, officially we were
12 shareholders of the bank.

13 Q. Do you recall having a meeting
14 with Mr. Zheleznyak and Mr. Varshavsky and
15 others in London in approximately August
16 of 2015?

17 A. Yes.

18 Q. And during that meeting, didn't
19 you repeatedly refer to Mr. Zheleznyak as
20 your partner?

21 A. Yes.

22 Q. And you did that in the context
23 of stating that you would repay the
24 obligations that Mr. Zheleznyak undertook
25 with respect to certain loans; isn't that

1 S. Leontiev -- CONFIDENTIAL

2 true?

3 A. No, that's not true statement.

4 Actually, that meeting Alexander asked me
5 to resolve a dispute, help him, he had an
6 issue with these people. So that was a
7 meeting to settle this dispute. So I
8 brought a package to them, a proposal
9 because he asked me to do this.

10 So but the word "partner" was
11 used during this meeting, you're
12 absolutely right. I had to explain to
13 these people the relationship and so I was
14 saying that we are friends, actually,
15 that's what I mean.

16 Q. And you told Mr. Varshavsky that
17 you recognize the obligation because Sasha
18 and you were partners; right?

19 A. As a part of the settlement
20 deal, yes.

21 Q. So you did say that?

22 A. Yes, I proposed them a
23 settlement. There was several points in
24 the settlement package. That was one of
25 them.

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2 Go on.

3 MR. HECKER: You're instructing
4 him not to answer that question?

5 MR. WEIGEL: Yes. If you want to
6 discuss settlement, we can go off the
7 record.

8 MR. HECKER: Mr. Weigel, you can
9 object; you can instruct him not to
10 answer. I don't want you testifying.

11 MR. WEIGEL: I have no intention
12 of testifying. If you want to discuss
13 settlement, we'll do it at another
14 time.

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1 S. Leontiev -- CONFIDENTIAL

2 that purpose.

3 Q. Have you had partners other than
4 Mr. Zheleznyak who owned stakes in
5 Alivikt?

6 MR. WEIGEL: I object to the
7 form.

8 THE WITNESS: Well, in different
9 periods of time there were different
10 -- first of all, as I explained to
11 you, formally we were not partners, we
12 were shareholders. You used the word
13 "partners."

14 Q. In my question?

15 A. Yes.

16 Q. Let me rephrase the question if
17 that's causing you difficulty.

18 A. I just want to be precise.

19 Q. Were there others who owned
20 shares in Alivikt other than Mr.
21 Zheleznyak during the time that you were
22 the majority shareholder?

23 A. I don't remember. There were
24 different -- there were people -- there
25 were different other shareholders at

1 S. Leontiev -- CONFIDENTIAL
2 different periods of time in Group Life,
3 but I can tell you when the license was
4 revoked, there were two of us.

5 Q. You said Group Life. My
6 questions had been about Alivikt.

7 To you are they synonymous?

8 A. No. We just called Group Life
9 was a brand which we used for branding
10 purposes.

11 Q. Okay.

12 And Alivikt owned a hundred
13 percent of Group Life?

14 A. Group Life, it's a brand, it's
15 not an entity.

16 Q. So when you a moment ago said
17 that at the time of the liquidation Mr.
18 Zheleznyak and you were the only two
19 partners in Group Life, you meant in
20 Alivikt; correct?

21 MR. WEIGEL: I object to the
22 form.

23 Q. You can answer.

24 A. I mean Probusinessbank.

25 Q. Okay.

1 S. Leontiev -- CONFIDENTIAL

2 Who were your other partners

3 prior to August of 2015 in Alivikt?

4 MR. WEIGEL: Are you

5 intentionally using the word

6 "partners?" The witness has said he

7 has a problem with that. You keep

8 putting it into the question. If

9 you're doing it by accident --

10 MR. HECKER: There's no strategy.

11 You can object to the form of the

12 question and I'll rephrase it.

13 MR. WEIGEL: I object to the form

14 of the question.

15 Q. Prior to August of 2015, who

16 were the other shareholders in Alivikt?

17 A. I can't remember but there were

18 two more persons which were shareholders

19 different period of time.

20 Q. You don't remember their names?

21 A. I remember their names. I don't

22 remember exactly the times.

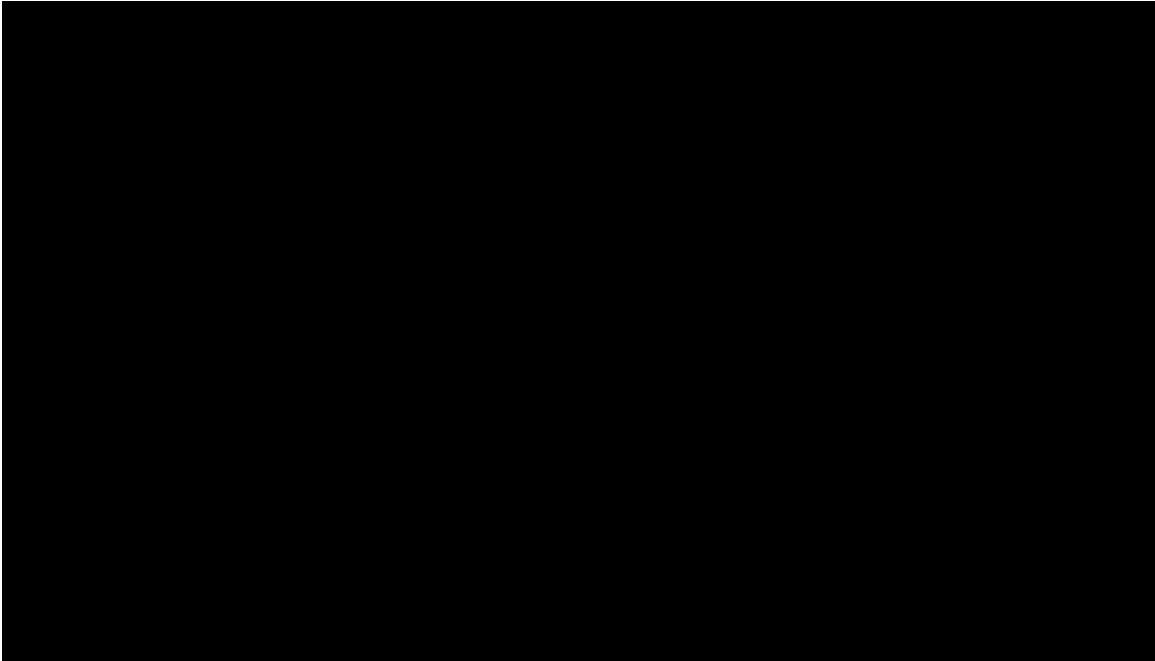
23 Q. I understand.

24 Who were those two?

25 A. Panteleev and Bikmaev.

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12 Q. And at all times were you the
13 controlling shareholder in
14 Probusinessbank?

15 A. I was majority shareholder in
16 Probusinessbank.

17 Q. During the entire period of 2010
18 to call it 2015 when the license was
19 revoked?

20 A. The bank was established '93, so
21 I'm talking now -- I remember exactly the
22 percentage in the last period before the
23 license was revoked. That's what I can
24 tell you exactly. '93 I can't tell you
25 how the shareholding structure looked

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2 A. No. I don't understand your
3 question.

4 Q. You said Financial Group Life
5 served as a brand; is that correct?

6 A. Well, there was a brand. The
7 brand was Financial Group Life, yes, so if
8 you call at the reception tell they will
9 tell you Financial Group Life speaking and
10 that was about ten thousand people in the
11 call center saying this, that was the
12 brand Financial Group Life. That's what I
13 was saying.

14 Q. Were they actually employees of
15 Probusinessbank?

16 A. Every employee of each bank, any
17 bank they will say Financial Group Life.

18 Q. I understand.

19 Was Group Life the brand that
20 was used to describe all of the holdings
21 of all of these different banks?

22 A. Yes. It was the umbrella brand.

23 Q. In 2014 is it correct that
24 Alivikt Holdings Limited owned over fifty
25 percent of Probusinessbank?

1 S. Leontiev -- CONFIDENTIAL

2 Q. Have you seen this document
3 before?

4 A. I don't remember.

5 Q. You don't know whether you've
6 reviewed the financial statements for
7 Probusinessbank for 2014?

8 A. I just don't remember.

9 Q. You were the president of
10 Probusinessbank going back to 1996; is
11 that correct?

12 A. I don't remember exact year.

13 Q. In the 1990s, did you become
14 president of Probusinessbank?

15 A. I don't remember when I became
16 the president. But at the moment when the
17 license was revoked, I was the president.

18 Q. And you've been the president
19 for many years; correct?

20 A. Yes.

21 Q. And as president, did you make
22 it a practice to review the financial
23 statements for the bank?

24 A. It was the function of the
25 board.

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2 Q. You were on the board; correct?

3 A. I was on the board, yes.

4 Q. So did you review the financial
5 statements?

6 A. What do you mean review?

7 Q. Did you look at them before they
8 were issued?

9 A. Of course.

10 Q. And you've therefore seen this
11 document before; correct?

12 A. Yes, but I just don't remember
13 exactly now.

14 Q. That's fine.

15 So you don't remember when you
16 saw it but you know you must have seen it
17 previously?

18 A. I must have seen it, if it's the
19 right one.

20 Q. Well, I'll represent that your
21 counsel produced this in the litigation.

22 A. Okay.

23 Q. If you look at page sixteen, do
24 you see with me in the middle of the page
25 it says, "shareholders" in bold and then

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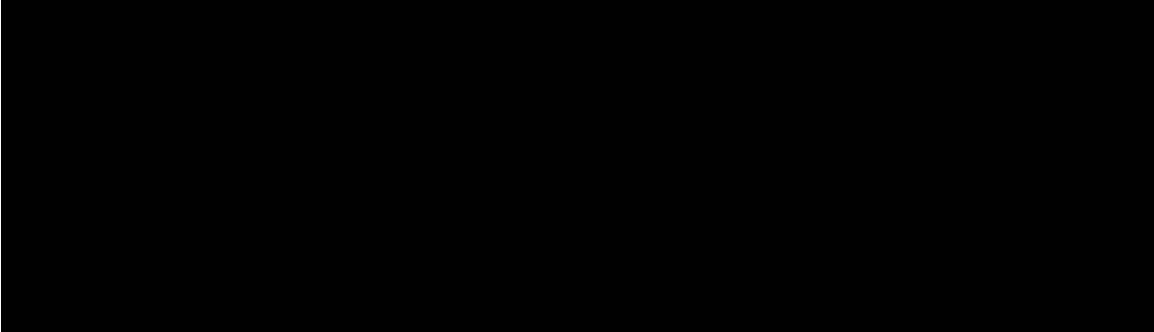
2 Q. Yes?

3 A. Yes.

4 Q. So during the periods 2013 and
5 2014, is it fair to say Alivikt held a
6 majority of the shares of Probusinessbank?

7 A. Yes.

8
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12



13 Q. And are you aware of any period
14 during the time that you were president of
15 Probusinessbank that Alivikt Holdings
16 Limited's ownership stake fell below fifty
17 percent?

18 A. Can say it once again?

19 Q. To your knowledge, did Alivikt's
20 ownership stake in Probusinessbank ever go
21 below fifty percent?

22 A. It could be.

23 Q. Could be?

24 Do you recall a time when it was
25 less than fifty percent?

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2 Q. Do you have an estimate of how
3 long you were chairman of the board of
4 Probusinessbank?

5 A. Several years.

6 Q. And you were president of the
7 Probusiness during that period? I think
8 we covered that.

9 A. Yes.

10 Q. In fact, you were president of
11 the bank going back to 1996; right?

12 A. I don't remember exactly when.

13 Q. Approximately that time period?

14 A. I don't remember but many years.

15 Q. And you were on the management
16 board going back to 1993; right?

17 A. I think so.

18 Q. At Probusinessbank am I correct
19 that day-to-day management was carried out
20 by the management board and the chairman
21 of the management board?

22 A. Yes.

23 Q. And the management board was
24 supervised by the board of directors and
25 the general shareholders' meetings; is

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2 that right?

3 A. Yes.

4 Q. And the management board
5 received monthly reports on the group's
6 financial position and its business
7 performance?

8 A. Do I need to read something?

9 Q. No.

10 I'm just asking you, the
11 management board received monthly reports
12 on the group's financial position and its
13 performance; is that right?

14 A. Can you say it once again?

15 Q. The management board received
16 monthly reports on the financial business
17 -- financial position and business
18 performance?

19 A. Regularly.

20 Q. Okay.

21 A. I wouldn't say months but
22 regularly.

23 Q. And there were three people on
24 the management board in the period 2010 to
25 2015; right?

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2 A. I don't remember how many.

3 Q. Well, you were on the management
4 board; right?

5 A. Yes.

6 Q. Alexander Zheleznyak was on the
7 management board; correct?

8 A. Yes.

9 Q. And Alexander Lomov, was he also
10 on the management board?

11 A. Of course.

12 Q. And what was his position?

13 A. Member of the board, chairman of
14 the board for a period of time, head of
15 accounting.

16 Q. Any other members of the
17 management board over the last five-year
18 period of Probusinessbank?

19 A. Dylnov.

20 Q. We're on the management board?

21 A. Yes. He was the chairman,
22 actually. Dmitry Dylnov.

23 Q. Not Lomov, sorry.

24 Q. Were there any other people --

25 A. No, Dylnov, that's not Lomov.

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2 group that did not come to you for
3 approval?

4 A. A lot.

5 Q. There were a lot of significant
6 decisions that were taken at
7 Probusinessbank that you didn't approve?

8 A. Sure.

9 Q. Give me an example of one.

10 A. It's easy that I explain to you
11 what I was doing.

12 Q. Can you answer my question?

13 A. I can try.

14 The bank as a business consisted
15 of business units, infrastructure, and
16 systems. So all the decisions in terms of
17 infrastructure were taken without my
18 participation. All the decisions in terms
19 of systems were taken without my
20 participation. I have never visited
21 Central Bank because the chairman of the
22 management board was doing that. I've
23 never signed any accounting documents for
24 Central Bank.

25 There is a lot I can tell you

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2 I've never done.

3 Q. You sat on the strategic
4 committee of Probusinessbank; correct?

5 A. Yes.

6 Q. And the strategic committee was
7 the key operating body of the group; is
8 that true?

9 A. I was -- I suggested that I
10 explain what I was doing.

11 Q. Try and answer my questions if
12 you can and then you can have a chance to
13 explain.

14 A. What's the question?

15 Q. Was the strategic committee the
16 key operating body of the group?

17 A. One of the operating bodies of
18 the group.

19 Q. Wasn't it the key operating body
20 of the group?

21 A. One of the committees of the
22 group.

23 Q. And the strategic committee
24 established the group's policies, rules,
25 and procedures in relation to key business

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2 practices; right?

3 A. That's right.

4 Q. And in addition to you as
5 president of the Probusinessbank, other
6 members of that committee included the
7 heads of various divisions within the
8 group; is that true?

9 A. Yes.

10 Q. Now, in terms of Mr.
11 Zheleznyak's role, is it fair to say that
12 he was involved in efforts to raise funds
13 to support the operation of the
14 businesses?

15 A. That was -- his main
16 responsibility was not raising funds. He
17 was the head of corporate business.

18 Q. Was Mr. Zheleznyak's role to
19 help raise funds to help support the
20 operation of the business?

21 A. He was doing that as well as
22 maybe number one hundred priority.

23 Q. He had other priorities --

24 A. (Through interpreter) That was
25 his priority number one hundred.

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2 Q. So he had other priorities that
3 were higher on the list?

5 Q. But one of the things that he
6 did was raise money to support the
7 operations of the group; correct?

A. I wouldn't say actually that.

9 He was head of business unit. Every head
10 of business unit was selling products of
11 the bank. So we don't have the term that
12 we used raised funds. He was selling
13 products.

14 Q. And as part of selling products,
15 he helped raised funds from investors that
16 were put to use by affiliates of
17 Probusinessbank; correct?

18 A. We called them wealth management
19 products so he was selling to his clients
20 wealth management products.

21 Q. And he thereby raised funds from
22 investors?

23 MR. WEIGEL: Asked and answered.

24 Q. You can answer.

A. Wealth management product means

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2 that a client who buys it invests in the
3 bank.

4 Q. You didn't personally
5 participate in the efforts to sell wealth
6 management products?

7 A. I didn't participate, of course.

8 Q. You did not?

9 A. I did not.

10 Q. But you were involved in
11 decisions about products that the bank
12 would sell; correct?

13 A. I would -- actually, we had more
14 than a hundred business units, so each
15 business unit will -- they had a strategy.
16 So you imagine one hundred strategies,
17 something like that. They will get to the
18 treasury departments. Treasury will use a
19 dynamic modeling to select the best of
20 them and I was involved in establishing
21 the rules, the principles how this
22 modeling was working. So I will develop
23 with the treasury the rules.

24 Then they will select the best
25 of the proposals. Then they will go to

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2 financial department. After that they
3 will go to strategy department. And then
4 it will come to me back and I will
5 introduce the strategy to the board and
6 then usually board will accept what was
7 prepared that way.

8 Q. And you signed off on it before
9 the board did; correct?

10 A. Well, the board could take a
11 decision that they don't like a specific
12 product or a specific business unit, but I
13 will introduce it as a suggestion.

14 Q. Right.

15 And if you didn't approve it, it
16 wouldn't be presented to the board;
17 correct?

18 A. Correct, but I never did this.
19 Actually, it was all done while in the
20 treasury. So what my role was mostly
21 develop the rules, how the treasury makes
22 decisions but not taking any specific
23 decisions and saying to people in treasury
24 you do this, you do that, because then I
25 will violate my own principles which I

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2 discuss with them.

3 So my role was that if we decide
4 this year the return on equity should be
5 fifteen percent then you don't really take
6 businesses which have thirteen percent and
7 they will put a lot of different ratios
8 like that so that model, which they will
9 prepare and they will bring to the board,
10 will have this specific ratios. So I was
11 responsible for those ratios. Deciding
12 that it's fifteen percent and not thirteen
13 percent, that was my prime influence.

14 Q. You set the business financial
15 targets?

16 A. Yes.

17 Q. And you knew, did you not, that
18 Mr. Zheleznyak was involved in obtaining
19 loans from Avilon?

20 A. Well, I knew that there was such
21 client Avilon.

22 Q. And you knew that Mr. Zheleznyak
23 was involved in obtaining loans from the
24 Avagumyan family; correct?

25 A. I didn't know anything about.

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2 Q. You knew that the product that
3 was being sold by Mr. Zheleznyak to Avilon
4 was loans; correct?

5 A. No, no, it was not loans, it was
6 wealth management product.

7 Q. What was the wealth management
8 product?

9 A. As I said, wealth management
10 product we start using from 2008
11 approximately when we need the capital, so
12 some of the clients would like to have
13 high interest rate and they could have on
14 deposit, so they would buy the wealth
15 management product which is an investment
16 in the capital of the bank so we will have
17 higher leverage and more and have the
18 opportunity to give them also bigger
19 interest because of that.

20 Q. So the wealth management product
21 that you're describing is a high interest
22 loan provided by the investor to an
23 offshore entity created by someone at the
24 bank; is that right?

25 A. It's wrong statement because

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2 loan itself is just a part of the
3 structure, part of the infrastructure.
4 The idea and assets of the product is an
5 investment which the client does in the
6 capital of the bank to earn higher
7 interest than in a regular deposit.

8 Q. In 2008, is it correct that
9 Probusinessbank was undercapitalized as a
10 result of the financial crisis?

11 A. Not specifically
12 undercapitalized but we were interested in
13 growing capital because of the situation
14 of the markets.

15 Q. And one of the ways you grew
16 capital was by offering high interest rate
17 investment opportunities to investors;
18 correct?

19 A. You use now your own term. We
20 call it wealth management products.

21 I don't understand what you
22 mean.

23 Q. You don't understand what I mean
24 by high interest rate loan?

25 A. No, this is wrong statement. It

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2 was not a high interest rate loan at all.
3 That's what I'm explained five minutes
4 ago. It was a wealth management product
5 and we started to use it, yes, that period
6 of time.

7 Q. And you understood that Mr.
8 Zheleznyak was selling that product
9 including to Avilon?

10 A. Mr. Zheleznyak was not selling
11 anything. He was -- just imagine, he was
12 the head of the corporate division which
13 had something like five, six hundred
14 people. These people were selling and
15 these people were managers who had
16 hundreds of clients related to them. So
17 we had the structure in the group that
18 each manager and he had about six hundred
19 of them in his department. Each manager
20 was responsible for from twenty to a
21 hundred clients. And the manager would
22 select the products for his client
23 according to the demands of the client,
24 and Zheleznyak was the head of all that.
25 So I wouldn't imagine that he himself

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2 would do any views. It was impossible.
3 Q. You didn't know he was speaking
4 to investors about these wealth management
5 products?

6 A. Yeah, he -- the way it worked
7 that the manager of the -- so each client
8 has a manager, first of all, it could be
9 that in Probusinessbank even a retail
10 client wouldn't have a manager, it was not
11 possible. So manager is the window for
12 the client in the bank. So it could
13 happen that the manager will bring his
14 client to from Zheleznyak.

15 It didn't happen that I met some
16 clients that way but it will be the
17 manager who's responsible for selling the
18 product, for the negotiation, for the P&L
19 of the client. And actually, the manager
20 will have -- you remember we discussed the
21 word "partnership." That's exactly this
22 manager who would be the partner because
23 he will have the share of the profits from
24 that client. So not Mr. Zheleznyak but
25 the specific manager who's responsible for

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2 this client will get the share of the
3 profits from this client. That was how it
4 was structured.

5 Q. Can you pull back up Defendant's
6 Exhibit 3 which is the complaint and I
7 want to direct your attention to appendix
8 A of that document.

9 You recall we reviewed this
10 earlier?

11 A. Yes.

12 Q. And you see here that what is
13 identified are certain promissory notes
14 where the borrower was either ZAO
15 Financial Group Life or Vennop Trading.

16 Do you see that?

17 A. Yes.

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23 Q. Were you aware of these loans
24 when they were entered into?

25 A. No.

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2 Q. And do you know where the funds
3 that were -- that are reflected here went
4 after the loans were provided to Financial
5 Group Life?

6 A. Well, I don't remember
7 specifically about these loans but
8 usually, as I explained to you, the wealth
9 management product worked that way, the
10 money went to the treasury of the bank.

11 Q. So to the extent the moneys were
12 borrowed by Financial Group Life,
13 Financial Group Life transferred them to
14 the treasury of Probusinessbank; is that
15 your testimony?

16 A. Somehow it went to treasury.

17 Q. You don't know now?

18 A. No. I was not responsible for
19 the structure. Each deal was structured
20 differently.

21 Q. What about Vennop Trading? Is
22 that an entity you're familiar with?

23 A. No.

24 Q. Do you know who set it up?

25 A. No.

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2 Q. And am I correct that Financial
3 Group Life voluntarily applied for
4 liquidation in the beginning of 2015?

5 A. Yeah, I found out here.

6 Q. You weren't aware of that
7 decision?

8 A. No, I don't remember -- I don't
9 remember when I found out about that.

10 Q. At the time of the litigation
11 you were the majority shareholder of
12 Financial Group Life; correct?

13 MR. HECKER: Sorry. Let me
14 rephrase the question. I misspoke.

15 Q. At the time of the liquidation,
16 were you the majority shareholder of
17 Financial Group Life?

18 A. I think so, yes, the main
19 shareholder.

20 Q. So were you involved in the
21 decision to liquidate Financial Group
22 Life?

23 A. I just don't remember how it was
24 taken.

25 Q. Is it a reasonable assumption

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2 that, as the majority shareholder, that
3 somebody would have checked with you prior
4 to liquidation?

5 A. As I mentioned to you, this was
6 the company that was created for the
7 specific purpose. That's why I never
8 really wasn't so much interested.

9 Q. And the purpose was to serve as
10 a brand?

11 A. Yes.

12 Q. And also to borrow funds; right?

13 A. It was part of the structure
14 which we used to sell wealth management
15 products.

16 Q. Why not sell them directly from
17 Probusinessbank?

18 A. I can't tell you exactly about
19 this case but in general there were
20 clients that wouldn't like that and that's
21 what specifically the client will say -- I
22 mean, if you mean -- what it mean exactly
23 through Probusinessbank?

24 Q. Well, the loans that are
25 reflected in appendix A, you said you

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1 S. Leontiev -- CONFIDENTIAL
2 don't know about these specifically but
3 your understanding is the loan moneys, if
4 they went to Financial Group Life, they
5 made their way to the treasury of
6 Probusinessbank; correct?

7 A. Yes.

8 Q. My question is why didn't
9 Probusinessbank directly seek to acquire
10 the funds from investors?

11 A. Oh, that's very easy.

12 Then the client will get two
13 percent instead of twelve percent if it
14 went directly because then it will be a
15 deposit on the Probusinessbank. And
16 specifically these clients you're talking
17 about, they had a lot of deposits directly
18 on the balance sheet of Probusinessbank
19 but they wanted larger interest. That's
20 why they asked their managers to sell them
21 wealth management products.

22 Q. So they weren't prepared to make
23 the investments for two percent interest
24 directly to the bank?

25 A. No, that's not true statement.

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2 Q. Not true?

3 A. Not true.

4 Q. So --

5 A. You're mixing now deposit and
6 investment.

7 Q. In order to obtain the moneys
8 for the treasury of Probusinessbank, the
9 bank, through these offshore vehicles,
10 offered higher interest rate products;
11 correct?

12 A. Can you say it once again?

13 MR. HECKER: Can you read that
14 back? And then we'll take a break
15 after your answer.

16 (Whereupon the requested portion
17 was read back by the reporter)

18 THE WITNESS: No. In order to
19 -- there were deposits and there were
20 wealth management products. These are
21 two different products completely. I
22 don't want you to mix it up.

23 Wealth management products were
24 sold for different interest rate,
25 that's right, because the nature of

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2 this product completely different.
3 It's the capital of the bank and the
4 deposit will go on the account and
5 that's the difference.

6 MR. HECKER: Why don't we take a
7 break to change the tape.

8 THE VIDEOGRAPHER: We're going
9 off the record at 12:05 p.m.

10 This marks the end of media one.

11 (Whereupon a break was taken)

12 THE VIDEOGRAPHER: We're back on
13 the record at 12:16 p.m.

14 This marks the beginning of
15 media two.

16 Q. Before the break, we discussed
17 the decision to liquidate FG Life and I
18 believe you testified you didn't recall
19 how that decision was taken; is that
20 right?

21 A. Yes.

22 Q. Do you know who was involved in
23 the decision to liquidate FG Life?

24 A. No.

25 Q. No?

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2 A. No.

3 Q. Did you ever ask that question
4 of anyone who was involved in the
5 operation of FG Life?

6 A. I mean now here in New York we
7 talked about that with Alexander but not
8 at that time.

9 Q. So what did you learn about how
10 the decision to liquidate FG Life was
11 taken?

12 A. Just Alexander told me that he
13 was involved in that.

14 Q. He didn't check with you as the
15 controlling shareholder of FG Life?

16 A. I don't remember. Maybe he did
17 but I just don't remember.

18 Q. So it's possible that he checked
19 with you before the decision to --

20 A. I don't remember.

21 Q. What assets did FG Life have at
22 the time that it was liquidated?

23 A. I don't know.

24 Q. Do you know what was done with
25 any assets that FG Life had at the time of

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2 the liquidation?

3 A. No.

4 Q. Did you receive any distribution
5 of assets?

6 A. No.

7 Q. Were any assets used to pay FG
8 Life's liabilities at the time of the
9 liquidation?

10 A. I don't know.

11 Q. Do you know whether FG Life had
12 sufficient assets to pay its creditors at
13 the time the voluntary liquidation was
14 initiated?

15 A. I don't know. But it was part
16 of the wealth management product so, as I
17 understand, it was a product of the bank.

18 Why are you talking separately
19 about this company?

20 Q. Earlier we looked at Defendant's
21 Exhibit 10.

22 Do you have that in front of
23 you? It's the financial statements and
24 independent auditor's report. That one.

25 Is there any mention of the FG

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2 Life wealth management product you were
3 describing in the financial statement or
4 the balance sheet of the company?

5 MR. WEIGEL: There's three
6 hundred thirty-three pages.

7 Are you asking the witness to go
8 through this entire document to find
9 out if there's a mention?

10 MR. HECKER: I'm asking him if he
11 knows whether it's mentioned in the
12 financial statements of the company.

13 THE WITNESS: I don't know.

14 Q. Do you know if --

15 MR. HECKER: Strike that.

16 Q. These wealth management
17 products, am I correct, were sold through
18 offshore vehicles that were set up by a
19 structuring division within
20 Probusinessbank; is that correct?

21 A. Yes.

22 Q. And those structures which were
23 set up were controlled by bank employees;
24 correct?

25 A. By the bank.

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2 Q. Of which you were the majority
3 shareholder; right?

4 A. Yes. Main shareholder.

5 Q. So it's by Probusinessbank
6 employees that these entities were
7 operated; right?

8 A. Yes.

9 Q. And do you know whether the
10 financial statements that were reviewed by
11 auditors reflected the control by
12 Probusinessbank of these offshore
13 entities?

14 A. I don't know how it was done.

15 Q. Well, I believe you testified as
16 the president and the member of the board
17 you reviewed the financial statements
18 during your time as president of the bank;
19 right?

20 A. Financial statements of what
21 company?

22 Q. Of Probusinessbank.

23 A. Yes, we reviews viewed this.

24 Q. Did you ever see any mention of
25 the offshore vehicles which were

1 S. Leontiev -- CONFIDENTIAL
2 controlled by Probusinessbank employees
3 reflected in the financial statements or
4 the balance sheet of the bank?

5 A. As I said already several hours
6 ago, sometimes some companies -- you must
7 understand we have more than a hundred
8 companies like that.

9 Q. And when you say companies like
10 that, you're referring to --

11 A. Off-balance-sheet companies.
12 Because different products like
13 securitization products, they will require
14 off-balance-sheet entity. That's why
15 sometimes they were consolidated,
16 sometimes not. I just never get into
17 details why.

18 Q. But you understood that these
19 off-balance-sheet entities were controlled
20 at all times by Probusinessbank employees;
21 correct?

22 A. By Probusinessbank.

23 Q. And by employees of
24 Probusinessbank; right?

25 A. I'll stay with Probusinessbank.

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2 Because if you say employee, I don't
3 understand it.

4 Q. You don't know what an employee
5 of Probusinessbank means?

6 A. Look, an employee can have his
7 own interest. In that sense it was part
8 of the product of Probusinessbank. That's
9 why I'm saying Probusinessbank.

10 Q. So as president of
11 Probusinessbank, it was the bank that
12 controlled the offshore vehicles --

13 A. Yes.

14 Q. -- that made these products
15 available to investors; right?

16 A. Yes. Now you're right.

17 Q. And it was through employees who
18 worked for you as president that these
19 offshore entities were operated on a
20 regular basis; right?

21 A. Yes.

22 Q. With respect to Financial Group
23 Life, were you regularly receiving
24 documents reflecting the finance of that
25 entity?

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2 It's vague as to what you mean by the
3 lenders.

4 Q. You can answer the question.

5 A. Specify who I'm talking about.

6 Q. Well, you know that Avilon is a
7 creditor; right?

8 A. I know that there was a client
9 with that name.

10 Q. Avilon.

11 A. Avilon, yes.

12 Q. And they lent money to Ambika;
13 right?

14 A. As we discussed --

15 Q. Yes or no, are you aware that
16 Avilon lent money to Ambika?

17 A. As part of the wealth management
18 product.

19 Q. Yes.

20 So you'll forgive me, I'm going
21 to refer to those as loans.

22 A. No, you're just trying to put
23 the part of the deal as a separate deal.

24 That's why I'm opposing it. That's my
25 position. I can put my position here, as

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2 I understand.

3 Q. You understand that in August,
4 2015 Avilon had not been repaid in
5 connection with certain loans that it had
6 made to Ambika?

7 MR. WEIGEL: Asked and answered.

8 THE WITNESS: What I'm saying is
9 that the license was revoked. Of
10 course there were clients that were
11 not repaid, clients of the bank, and
12 Ambika was one of them.

13 Q. And the Avagumyans were also
14 investors who had not been repaid?

15 A. It is found out here. I didn't
16 know about that.

17 Q. And you met with Mr. Varshavsky
18 in Moscow along with Alex Zheleznyak to
19 discuss your potential repayment of the
20 moneys that had not been repaid; right?

21 A. No. The purpose you formulate
22 of that meeting is not right.

23 Alexander asked me -- he was
24 asking me for four hours literally to go
25 to that meeting to help him to resolve the

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1 S. Leontiev -- CONFIDENTIAL
2 dispute. It was to propose any kind of
3 settlement to Varshavsky.

4 Q. When you met with Mr. Varshavsky
5 in Moscow with Mr. Zheleznyak, is it your
6 testimony that you did not discuss
7 potentially repaying the moneys that were
8 then outstanding to Avilon?

9 A. We did discuss this part as a
10 part of the settlement again.

11 Q. So that was part of the
12 discussion?

13 A. Yes.

14 Q. And then when you later met in
15 London in August, that was again part of
16 the discussion; correct?

17 A. Yes.

18 Q. And when you met in London, you
19 taped the conversation that you had with
20 Mr. Varshavsky and others; correct?

21 A. Yes.

22 Q. You didn't tell them you were
23 taping that conversation; right?

24 A. I didn't tell Varshavsky.

25 Q. You told Zheleznyak; right?

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1 S. Leontiev -- CONFIDENTIAL

2 A. Are you reading something?

3 Q. I'm not reading anything.

4 A. Sorry, because I think you're
5 looking at text.

6 Q. I'm looking at my notes.

7 A. Okay.

8 You have to tell me because I
9 have to change spectacles.

10 Q. I understand. I've got the same
11 problem. I just take them off.

12 After August, '15, you discussed
13 a proposal, actually a couple of different
14 proposals to repay a total of a hundred
15 million dollars, eighty-three million plus
16 moneys from Valkera, to lenders
17 represented by Mr. Varshavsky; correct?

18 MR. WEIGEL: I object. Form.

19 Foundation.

20 THE WITNESS: Several things
21 which I don't agree. First of all, I
22 was talking specifically about
23 Varshavsky. I don't understand what
24 you mean several lenders. So I was
25 told at least that this is money from

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1 S. Leontiev -- CONFIDENTIAL

2 the analogy.

3 So you didn't understand that
4 Mr. Varshavsky was a president and owner
5 of Avilon?

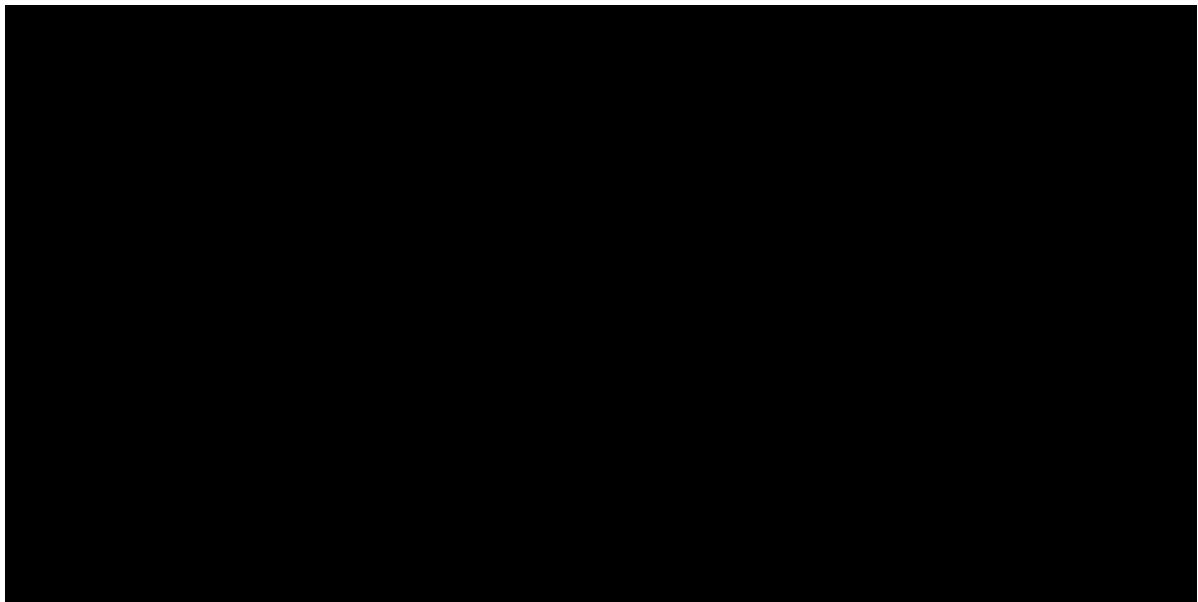
6 A. Yes, I know that, just was his
7 pocket company.

8 Q. What do you mean when you say
9 pocket company?

10 A. His own company. He used it for
11 his own purposes.

12 Q. Like Financial Group Life was
13 your company?

14 A. You mean this branding?



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24 Q. And through it you owned a
25 majority in Probusinessbank?

1 S. Leontiev -- CONFIDENTIAL
2 and he bought wealth management product of
3 the bank. When his money stuck at the
4 bank, he tried to impose the obligation on
5 my friend and my friend asked me to come
6 and to try to settle this issue. So
7 that's what I did.

8 Q. So you understood that Mr.
9 Varshavsky owned Avilon, that Avilon had
10 invested moneys that had not been repaid,
11 and you were asked to try to make good on
12 the obligation to repay it; is that fair?

13 A. Yes.

14 Q. And over time, in the period
15 after August, 2015, you made proposals
16 about how to repay a hundred million
17 dollars pursuant to that obligation,
18 right, as part of a settlement?

19 A. Not exactly that.

20 During the meeting, actually the
21 proposal, the way I propose it was
22 rejected. So they asked me to do
23 something else, were very insistent, so we
24 can read and see what happened there.

25 So after that, I pretty much

1 S. Leontiev -- CONFIDENTIAL
2 stopped negotiating with them but
3 Alexander will keep trying to find a
4 solution himself.

5 Q. And Mr. Leontiev, in September,
6 2015 you proposed repayment schedules for
7 repaying \$83 million over either two and a
8 half or three and a half years as part of
9 those discussions; correct?

10 A. That was our internal discussion
11 on that with Alexander which I never
12 proposed to Mr. Varshavsky.

13 Q. You don't know whether Mr.
14 Zheleznyak passed those proposals on to
15 Mr. Varshavsky?

16 A. I don't know.

17 Q. But you gave them to Mr.
18 Zheleznyak for the purpose of making --

19 A. Internal discussions, yes.
20 Because you must understand he keep
21 pressuring me --

22 Q. Mr. Zheleznyak?

23 A. Yes. He had literally
24 eighteen-hour calls with Mr. Varshavsky a
25 day. So after that on his free time he

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1 S. Leontiev -- CONFIDENTIAL
2 was calling me and asking to find -- he
3 was just asking.

4 Q. You know that the repayment
5 schedules that you describe as internal
6 that you gave to Mr. Zheleznyak were
7 shared with Mr. Varshavsky; right?

8 A. I found out later.

9 Q. Mr. Zheleznyak told you that;
10 right?

11 A. Yes. I think so.

12 Q. Right.

13 And you understood that the
14 repayments that Mr. Zheleznyak shared with
15 Avilon provided for repayment of \$83
16 million over a period of either two and a
17 half or three and a half years; correct?
18 You understood that that's what the
19 proposal was as part of the settlement?

20 A. Exactly. So it's -- no, can I
21 -- let me finish. I want to finish this.

22 As you said, a part of the
23 settlement and, as I explained previously,
24 another part of the settlement was their
25 cooperation and why was I not eager to

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1 S. Leontiev -- CONFIDENTIAL
2 move further is because they started
3 threatening us. So instead of
4 cooperation, I've got real threats and a
5 criminal case was opened which I can think
6 was also Varshavsky was involved in that,
7 so that was the reason that I stopped that
8 negotiation at all.

9 Q. Mr. Leontiev --

10 A. Because this part of the
11 settlement package was actually breached.

12 Q. Mr. Leontiev, of the moneys that
13 were owed to Avilon by Ambika, you agree
14 with me that seventeen million was repaid
15 in 2015 from Valkera?

16 MR. WEIGEL: I object to form.

17 Foundation.

18 Q. You can answer.

19 A. We pay -- Alexander made the
20 payment, I know that Alexander made the
21 payment of seventeen million from Valkera.

22 Q. And you approved the payment?

23 A. I would say I didn't stop it.

24 Q. You approved it; right? You
25 okayed it?

1 S. Leontiev -- CONFIDENTIAL

2 A. I could stop it but I decided
3 not to do.

4 Q. Is that different from okaying
5 it?

6 A. No, I'm just telling you the
7 truth.

8 Q. So you had the power to stop it;
9 right?

10 A. Not exactly.

11 Q. That's just using your words.

12 You didn't have the power to
13 stop the payment of \$17 million from
14 Valkera?

15 A. Formally I couldn't stop it. So
16 formally Vadim just asked me are you okay
17 with the payment and I could say no and I
18 don't know what they would do to that and
19 I could say yes and at the end I said yes.

20 Q. So you okayed the payment of \$17
21 million from Valkera?

22 A. At the end I said yes.

23 Q. So you said yes to payment.

24 And is it your understanding
25 that that payment was one that you could

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Page 140

1 S. Leontiev -- CONFIDENTIAL

2 Q. Who was the owner of Valkera?

3 A. Nominal director.

4 Q. Nominal director was the owner
5 of Valkera?

6 A. Yes.

7 Q. Who was that?

8 A. I don't know.

9 Q. You have no idea? Was it Vadim
10 Kolotnikov?

11 A. No.

12 Q. So someone was put in to serve
13 as a nominal director who didn't actually
14 own or control the company; right?

15 A. The way all the
16 off-balance-sheet companies of the bank
17 were structured, they all had, some of
18 them had nominal directors.

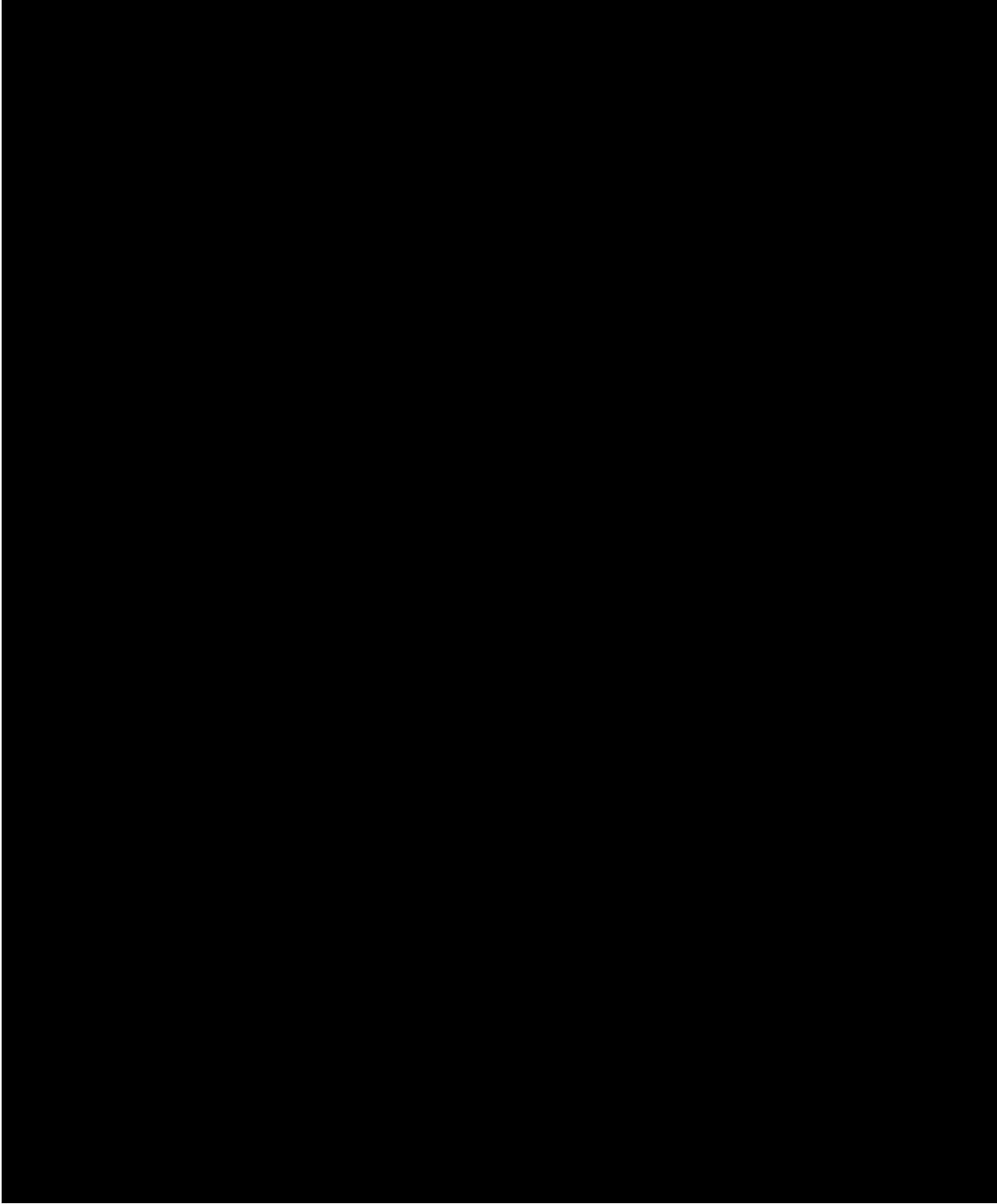
19 Q. When you use the word "nominal,"
20 you mean someone who is not, in fact,
21 owning or controlling the company but
22 whose name appears in the registrar as the
23 owner of the company?

24 A. Yes.

25 Q. Okay.

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1 S . Leontiev -- CONFIDENTIAL
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24 Q . Okay .

25 And this was at the time when

Page 148

1 S. Leontiev -- CONFIDENTIAL

2 you were chief investment officer for
3 Wonderworks; correct?

4 A. Yes.

5 Q. And the sole beneficial owner of
6 Wonderworks; correct?

7 A. Yes.

8 Q. And one of your duties --
9 MR. HECKER: Strike that.

10 Q. Weren't you in effect the CEO of
11 Wonderworks?

12 A. No, I was chief investment
13 officer.

14 Q. So you weren't the CEO?

15 A. No.

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Page 161

1 S. Leontiev -- CONFIDENTIAL

2 Q. After the liquidation --

3 MR. HECKER: Sorry, strike that.

4 Q. After the license for
5 Probusinessbank was pulled in August,
6 2015, did Vadim Kolotnikov and others
7 working for you control the operations of
8 the off-balance-sheet entities that had
9 been established by Probusinessbank
10 employees?

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24 Q. Some Probusinessbank employees
25 worked at Wonderworks as well?

Page 162

1 S. Leontiev -- CONFIDENTIAL

2 A. Yes. Actually, were, let's say
3 were involved in the team which did the
4 business.

5 Q. They spent some of their time
6 working to advance the interests of
7 Wonderworks; correct?

8 A. Exactly, yes.

9 Q. And that was your own investment
10 vehicle?

11 A. Yes.

12 Q. And those same employees were
13 also involved in the operations of
14 Probusinessbank; right?

15 A. Yes.

16 Q. But when they were wearing
17 different hats, they had different duties;
18 correct?

19 A. Yes.

20 Q. And after the license for
21 Probusinessbank was pulled in August of
22 2015, did Wonderworks employees including
23 Vadim Kolotnikov control the operations of
24 the off-balance-sheet entities that had
25 been established by Probusinessbank

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1 S. Leontiev -- CONFIDENTIAL

2 A F T E R N O O N S E S S I O N

3 January 3, 2017

4 1:38 p.m.

5 THE VIDEOGRAPHER: We are back on
6 the record at 1:38 p.m.

7 S E R G E Y L E O N T I E V , having
8 been previously duly sworn by a
9 Notary Public of the State of
10 New York, upon being examined,
11 testified as follows:

12 EXAMINATION CONTINUED BY

13 MR. HECKER:

14 Q. Mr. Leontiev, Ambika Investments
15 Limited was an off-balance-sheet entity
16 created by employees of Probusinessbank;
17 is that right?

18 A. Yes.

19 Q. And to your knowledge, has
20 Ambika repaid any creditors after
21 September of 2015?

22 A. I don't know.

23 Q. You don't know?

24 Why was Ambika created?

25 A. Ambika is one of the

Page 168

1 S. Leontiev -- CONFIDENTIAL
2 off-balance-sheet companies of the bank
3 which was used in wealth management
4 products.

5 Q. Did it serve any purposes other
6 than providing wealth management products
7 to potential investors?

8 A. Not that I knew, but we had
9 other products as well.

10 Q. Do you know whether it provided
11 any purposes --

12 A. I don't know about specifically
13 this company.

14 Q. You don't know about Ambika in
15 particular?

16 A. No.

17 Q. But Probusinessbank employees
18 had control over Ambika's management and
19 operations; right?

20 A. The bank had control, yes.

21 Q. Right.

22 And the bank acted through
23 employees; right?

24 A. We had this discussion several
25 hours ago.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. And you agree with me that --

3 A. My point is that bank had
4 control --

5 Q. You need to let me finish the
6 question so the record's clear.

7 It is the bank operating through
8 its employees that the control is
9 exercised by the bank; right?

10 A. Yes.

11 Q. And Ms. Vyulkova was one of the
12 bank employees who participated in the
13 process of establishing and operating
14 these off-balance-sheet entities?

15 A. Yes.

16 Q. And Probusinessbank had access
17 to the funds that were raised through the
18 activities of Ambika and other
19 off-balance-sheet entities?

20 A. I'd say this is the right
21 statement: Probusinessbank was selling
22 wealth management products to the clients.
23 Ambika was just part of the structure.

24 Q. Right.

25 And the moneys that were raised

Page 170

1 S. Leontiev -- CONFIDENTIAL

2 by Ambika went to the treasury of the
3 bank; right?

4 A. Yes.

5 Q. And they were controlled by bank
6 employees there?

7 A. Of course.

8 Q. And we spoke earlier about
9 Trident and you said you were familiar
10 with Trident as a --

11 A. Registrar.

12 Q. -- a registrar of companies
13 based in Cyprus?

14 A. Yes.

15 Q. And Trident employees served as
16 directors of Ambika; right?

17 A. I don't know about Ambika.

18 Q. You know that they provided
19 directors for Wonderworks; right?

20 A. Yes.

21 Q. What about Vermenda, is that
22 company familiar to you?

23 A. Just found out here.

24 Q. That's another off-balance-sheet
25 entity created by Probusinessbank

Page 175

1 S. Leontiev -- CONFIDENTIAL

2 A. Strategy of the Wonderworks.

3 Q. What did you tell them?

4 A. Explained them what the strategy
5 is.

6 Q. This was the only time you've
7 ever spoken to the directors?

8 A. Yes.

9 Q. So you were the COO of
10 Wonderworks and the sole beneficial owner
11 during the entire period that Wonderworks
12 existed; is that correct?

13 A. Can I correct my answer?

14 Q. Yes, of course.

15 A. That was the only one which I
16 remember at the moment.

17 Q. So you were the COO of
18 Wonderworks and the sole beneficial owner
19 during the entire period that Wonderworks
20 existed; right?

21 A. Chief investment officer, yes,
22 sir.

23 Q. Chief investment officer. I
24 apologize.

25 And your testimony is that you

1 S. Leontiev -- CONFIDENTIAL

2 employees did contacts.

3 Q. Not Trident?

4 A. Did contacts with Trident, yes.

5 Q. Is it fair to say that Andreas
6 and any other Trident directors who served
7 as directors for Wonderworks took their
8 instructions from Wonderworks employees?

9 A. I think so.

10 Q. Do you know who Aleksandr
11 Shcheglyayev is?

12 A. I found out recently.

13 Q. You found out recently meaning
14 in the context of the litigation?

15 A. Yes.

16 Q. You now know that he was the
17 nominee beneficial owner for Ambika and
18 Valkera; right?

19 A. Uh-huh.

20 Q. Yes?

21 A. Yes.

22 Q. And you understood that he was
23 paid a small fee to serve in that
24 function?

25 A. Yes.

1 S. Leontiev -- CONFIDENTIAL

2 Q. You also learned that he was a
3 beneficial owner of Vermenda, right,
4 nominee beneficial owner?

5 A. I don't know that.

6 Q. You're not sure about that one?

7 A. No.

8 Q. Ambika has a shareholder that is
9 a BVI entity called Greater Divide, LLC.

10 Is that an entity that you're
11 familiar with?

12 A. No.

13 Q. You don't know who owns Greater
14 Divide Limited?

15 A. No.

16 Q. What about Vennop Trading
17 Limited, is that an entity with which
18 you're familiar?

19 A. During the investigation.

20 Q. By investigation, do you mean
21 the litigation that you brought?

22 A. The litigation, sorry.

23 Q. And you now know that that's an
24 off-balance-sheet entity that was created
25 by Probusinessbank employees?

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1 S . Leontiev -- ATTORNEYS' EYES ONLY
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20 MR . WEIGEL : Are you talking
21 about before the trust was set up ?
22 THE WITNESS : To now I 'm not .

23 Q . Excluding the time period after
24 you set up a trust --

25 MR . HECKER : Strike that .

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1 S. Leontiev -- CONFIDENTIAL

2 before?

3 A. I don't remember this document.

4 Q. You don't remember this
5 document?

6 A. Can I read it, please?

7 Q. Sure.

8 A. (Reviewing).

9 Uh-huh.

10 Q. Having now read the document, is
11 this a document you've seen before?

12 A. No.

13 Q. Do you know what it was provided
14 for?

15 A. No.

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S. Leontiev -- CONFIDENTIAL

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A. Do you want me to guess?

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Q. I want you to tell me if you can
think of something that may have been
around this time that would have prompted
this letter.

13

A. It will be guess.

14

Q. Go ahead then.

15

MR. WEIGEL: Don't guess.

16

THE WITNESS: I can't remember.

17

MR. WEIGEL: Don't guess. You
shouldn't guess. If you have an
answer, if you can help him out please
do so, but don't guess.

18

(Whereupon, a six-page document

19

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was marked Defendant's Exhibit 13

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1 S. Leontiev -- CONFIDENTIAL

2 MR. WEIGEL: I object. Broad,
3 vague.

4 Q. Go ahead.

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16 Q. Was Nadezhda, was that person
17 also an employee of Probusinessbank?

18 A. I don't think -- I don't have.

19 Q. What about Afanasyev?

20 A. Afanasyev, yes, was a chief of a
21 department.

22 Q. Which department?

23 A. Analytical investments.

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1 S. Leontiev -- CONFIDENTIAL

2 A. Kazmarck.

3 Q. He's identified here as head of
4 trading.

5 A. Uh-huh.

6 Q. Is that accurate?

7 A. Yes. He was a trader.

8 Q. And head of research was who?

9 A. Gorozhankin. That's what I
10 said.

11 Q. Do you see under the
12 organizational chart of the company it
13 says, "as can be seen from the chart
14 above, Mr. Leontiev was acting as a CEO of
15 the company taking direct participation in
16 Wonderworks management?"

17 A. Where does it say that?

18 Q. Under that chart that we were
19 just looking at.

20 A. I don't know why it says CEO.
21 As shown here on the chart itself, it's
22 chief investment officer, that's right.
23 Different parts from the document
24 contradict the chart.

25 Q. So who was the CEO of the

1 S. Leontiev -- CONFIDENTIAL

2 company?

3 A. Afanasyev.

4 Q. Wait, who?

5 A. Afanasyev.

6 Q. Does he appear in the chart at
7 all?

8 A. I don't know who did this.

9 Q. Is this on the right side, on
10 the far right is that Maksim Afanasyev's
11 name on the far right at the top?

12 A. I can't read.

13 Q. Yes, it's hard to read.

14 But you agree with me he's not
15 identified here as the CEO?

16 A. I don't know why.

17 Q. And you don't know who created
18 this?

19 A. I don't know. But there is one
20 thing which is right that I'm chief
21 investment officer.

22 Q. In the box it's correct, it's
23 wrong in the description below the box?

24 A. Yes.

25 Q. Have you asked any of your team

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1 S. Leontiev -- CONFIDENTIAL

2 Q. Is that approximately the number
3 that you recall?

4 A. Approximately maybe.

5 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

6 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

7 A. [REDACTED].

8 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

9 [REDACTED]

10 A. [REDACTED]

11 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 [REDACTED]

14 A. [REDACTED]

15 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

16 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

17 [REDACTED]

18 A. [REDACTED]

19 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

20 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

21 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED] [REDACTED]

23 A. What do you mean created by
24 Probusinessbank employees?

25 Q. Set up by them.

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1 S. Leontiev -- CONFIDENTIAL

2 A. No, that's not true. Let me
3 explain again.

4 So the off-balance-sheet
5 entities of the bank, they were just part
6 of the infrastructure so they couldn't do
7 anything. The deals were done by the head
8 of the business units of the bank. These
9 were more than a hundred of them. [REDACTED] [REDACTED]

10 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

14 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

15 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

16 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

17 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

18 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

19 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

20 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

21 Q. Which ones by name?

22 A. There are hundreds of them.

23 Q. Name one.

24 MR. WEIGEL: Why are you raising
25 your voice, counsel?

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1 S. Leontiev -- CONFIDENTIAL

2 MR. HECKER: The video will
3 reflect that I'm not raising my voice.

4 THE WITNESS: Voronov.

5 Q. Excuse me?

6 A. Voronov.

7 Q. Voronov?

8 A. Arshinov.

9 Q. You're going to have to go slow
10 and spell them.

11 MR. HECKER: You know what?
12 We're running out of video.

13 Can we take a short break?

14 MR. WEIGEL: We've been going on
15 for an hour anyway.

16 MR. HECKER: Five minutes.

17 THE VIDEOGRAPHER: We're going
18 off the record at 2:37 p.m.

19 This marks the end of media two.

20 (Whereupon a break was taken)

21 THE VIDEOGRAPHER: We are back on
22 the record at 2:51 p.m.

23 This marks the beginning of
24 media number three.

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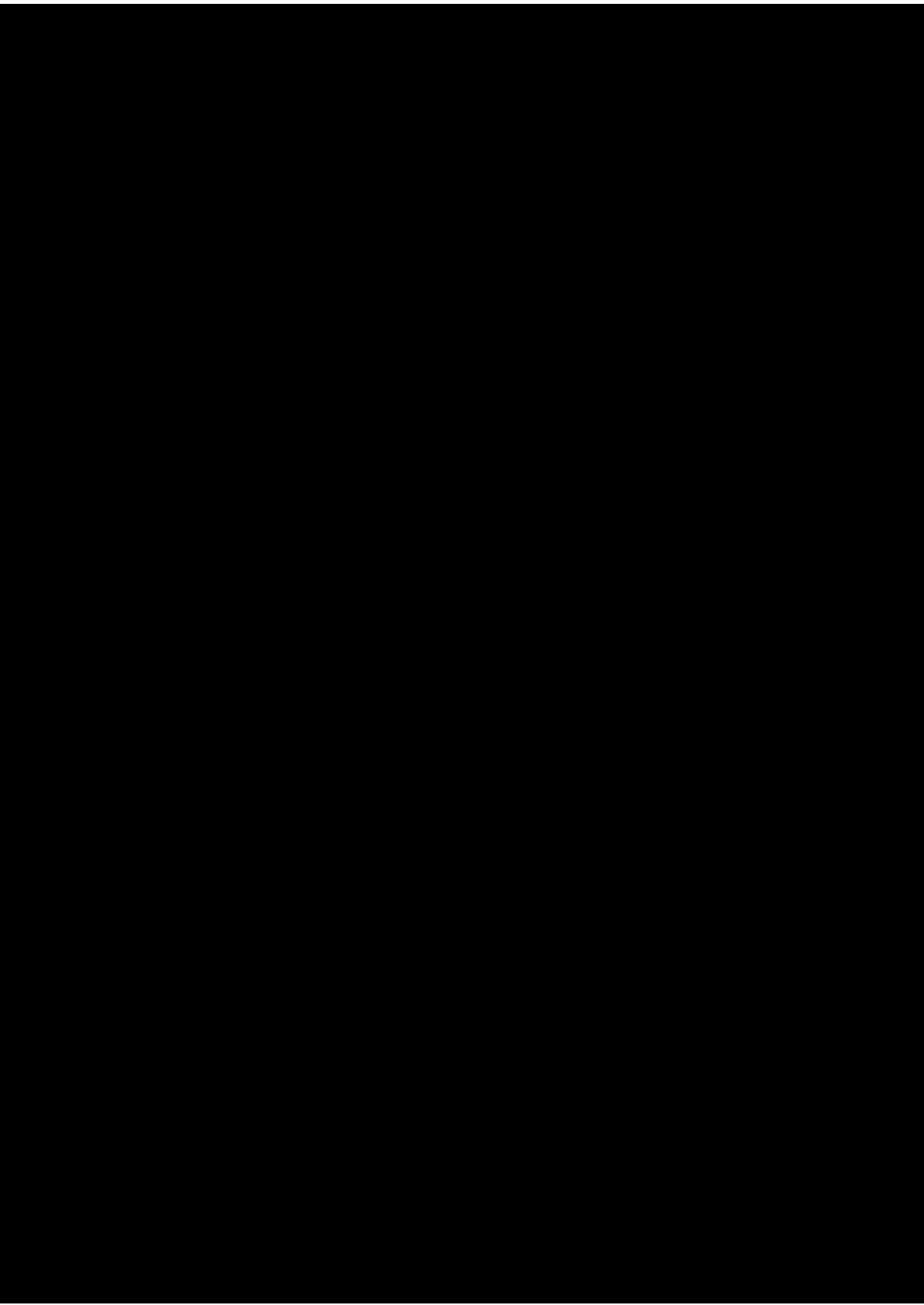
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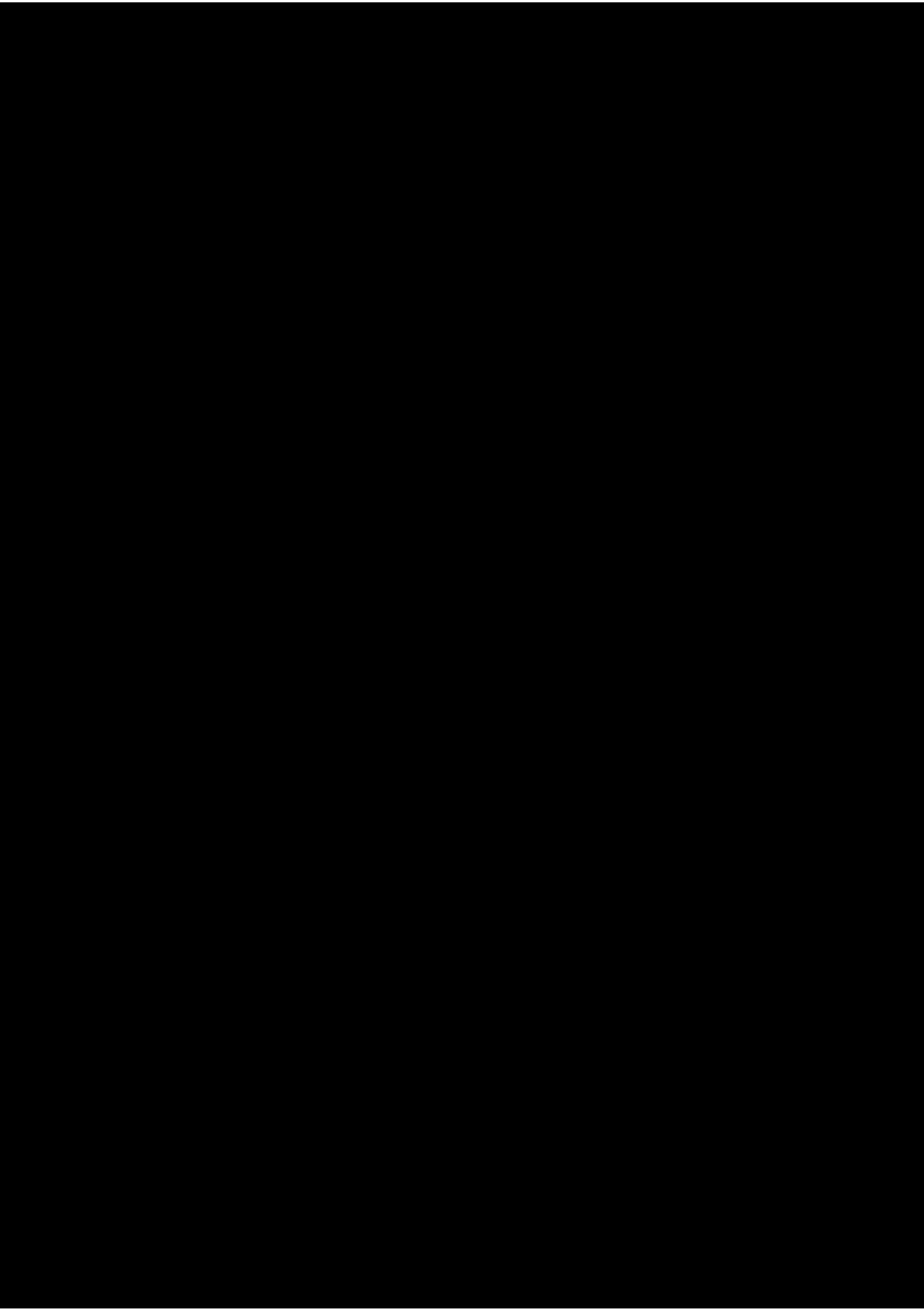


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25 THE WITNESS: There are a lot of

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1 S. Leontiev -- CONFIDENTIAL
2 words which you gave your own
3 impression of that. That would be not
4 my point of view.

5 My point of view is that they
6 were part of the structure of
7 Probusinessbank and every bank in
8 every country is using
9 off-balance-sheet entities. The whole
10 markets of subordinated loans
11 structured wealth management products
12 structured that way everywhere.

13 Q. Was Dunning Finance one of the
14 off-balance-sheet entities created by
15 Probusinessbank employees?

16 A. I don't know exactly about this
17 company.

18 Q. [REDACTED]
19 [REDACTED]

20 A. [REDACTED]

21 Q. [REDACTED]
22 [REDACTED]

23 A. [REDACTED] [REDACTED] [REDACTED]
24 [REDACTED]

25 Q. Is Finbay one of the

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1 S. Leontiev -- CONFIDENTIAL
2 off-balance-sheet companies established by
3 Probusinessbank employees?

4 A. Yes.

5 Q. What about Greenex Trading?

6 A. I don't remember.

7 Q. And Vermenda Holdings, was that
8 an --

9 A. We discussed already.

10 Q. It was an off-balance-sheet
11 entity created by Probusinessbank
12 employees?

13 A. Yes.

14 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

15 [REDACTED]

16 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

17 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

18 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

19 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

20 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

21 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

23 [REDACTED] [REDACTED] [REDACTED]

24 Q. The business unit heads at
25 Probusinessbank worked for you as

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1 S. Leontiev -- CONFIDENTIAL

2 president of Probusinessbank; right?

3 A. They worked for the bank.

4 Q. And you were president of the
5 bank?

6 A. Yes.

7 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

8 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

9 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

10 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED]

13 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

14 [REDACTED]

15 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

16 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

17 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

18 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

19 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

20 A. [REDACTED] [REDACTED]

21 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

23 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

24 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

25 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

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1 S. Leontiev -- CONFIDENTIAL

2 A.

3 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

4 [REDACTED] [REDACTED]

5 Q.

6 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

7 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

8 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

9 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

10 A.

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 [REDACTED]

14 Q. You don't understand my
15 question?

16 A. No.

17 Q.

18 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

19 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

20 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

21 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

23 [REDACTED] [REDACTED]

24 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

25 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

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2

[REDACTED]

3

[REDACTED]

4

[REDACTED]

5

[REDACTED]

6

Q.

[REDACTED]

7

[REDACTED]

8

[REDACTED]

9

A.

[REDACTED]

10

[REDACTED]

11

Q.

[REDACTED]

12

[REDACTED]

13

A.

[REDACTED]

14

[REDACTED]

15

[REDACTED]

16

Q.

[REDACTED]

17

[REDACTED]

18

[REDACTED]

19

[REDACTED]

20

A.

[REDACTED]

21

[REDACTED]

22

Q.

[REDACTED]

23

[REDACTED]

24

[REDACTED]

25

[REDACTED]

1 S. Leontiev -- CONFIDENTIAL

2 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

3 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

4 A. [REDACTED] [REDACTED]

5 Q. [REDACTED] [REDACTED]

6 A. [REDACTED] [REDACTED]

7 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

8 [REDACTED]

9 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

10 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

14 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

15 Q. Okay.

16 A. Because the system of the
17 business bank was done that way that I
18 never was involved in any specific deal.
19 The interest rate will be put by the
20 treasury of the bank and the treasury was
21 putting an interest rate on all these
22 deals.

23 Q. And the business unit heads were
24 making a determination about how much
25 interest they should charge to earn a

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1 S. Leontiev -- CONFIDENTIAL

2 You participated in that
3 process?

4 A. Of course.

5 Q. And was it standard under the
6 policies of the bank to review financial
7 statements before making a loan to a
8 company?

9 A. We had a completely different
10 approach to that and that's exactly what
11 I'm explaining to you we're making
12 investments here in the U.S. The
13 intangible part is the main side so we
14 will give complete authority to the loan
15 officer and the loan officer will have
16 complete responsibility and also he will
17 have a share of the profits.

18 So the business units I'm
19 talking about, they were not interested
20 not to get this loan back because they
21 will stay without bonus and the opposite
22 is true that if they get the loan back
23 with interest, part of their bonus will be
24 a share of the financial results. So
25 every business unit will have a share and

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1 S. Leontiev -- CONFIDENTIAL
2 that's your question about partners. That
3 was what was the partnership model of the
4 bank that each head of business unit will
5 get some share of financial results each
6 year and each quarter sometimes. So
7 that's why they had the whole
8 responsibility and the whole authority and
9 they have the right to take decisions.
10 The risk management was just doing the
11 audit and looked at people following the
12 general policy and that's it. Otherwise,
13 the business units were the people take
14 all the decisions.

15 Q. [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 A. [REDACTED]

20 Q. [REDACTED]

21 A. [REDACTED]

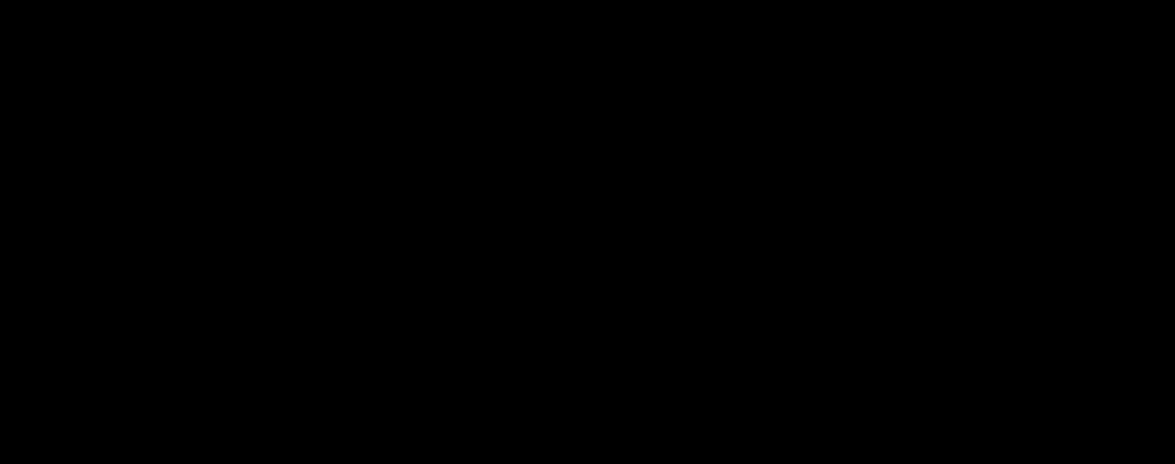
22 Q. [REDACTED]

23 [REDACTED]

24 A. [REDACTED]

25 Q. [REDACTED]

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9 Q. Did you have an understanding
10 about the interest rate that
11 off-balance-sheet entities created by bank
12 employees had to pay investors in the
13 products that you described earlier?

14 A. Can you say it once again?

15 Q. Did you know for example, that
16 Ambika, one of the off-balance-sheet
17 entities, was borrowing money at between
18 nine and fourteen percent from investors?

19 A. I knew nothing about this
20 specific deal, but it was part of the
21 wealth management product as I explained.

22 Q. And it was to offer interest
23 rates of between nine and fourteen
24 percent?

25 A. Yes.

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2 infrastructure, it was not part of
3 business unit. We had business units
4 which mostly were not individual entities
5 but sometimes they were, like Express
6 Volga, for example, and we had
7 infrastructure.

8 My job at the bank, I managed
9 head of business units, not the
10 infrastructure. So if they decided -- if
11 there was a sense to do the deal, they
12 decided that they'll go to Vyulkova and
13 Vyulkova will provide the infrastructure,
14 that's what you call all these entities
15 which you're interested in so much. They
16 are part of this infrastructure.

17 Q. But they're off balance sheet;
18 right?

19 A. These ones were off balance
20 sheet.

21 If the product needed the
22 off-balance-sheet structure, then it was
23 provided that way. If it didn't, then
24 there were no off-balance-sheet companies.
25 So it depends on the structure of the

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1 S. Leontiev -- CONFIDENTIAL

2 [REDACTED]

3 A. [REDACTED] [REDACTED]

4 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

5 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

6 [REDACTED] [REDACTED]

7 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

8 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

9 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

10 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 A. If I would have done this, it
14 will be like, I don't know, it will be
15 breach of principle number one of values
16 of the group. So the basic concept was
17 that these people are independent and make
18 their own decisions. I never will
19 micromanage and that's up to them to make
20 all decisions. I will never do this.

21 What I was involved in, as I
22 explained, creating routes how they make
23 all these deals but I was not allowed to
24 take a decision instead of somebody.

25 Q. On behalf of Probusinessbank?

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1 S. Leontiev -- CONFIDENTIAL

2 those contracts?

3 A. Not Ambika. Probusinessbank.

4 Q. I'm asking about Ambika.

5 A. It was part of infrastructure.

6 Q. So you collapsed any profits
7 and loss at Ambika to Probusinessbank even
8 though it was an off-balance-sheet entity?

9 A. I don't know anything about
10 Ambika. I don't know the time company
11 existed. I'm just explaining how the
12 system worked.

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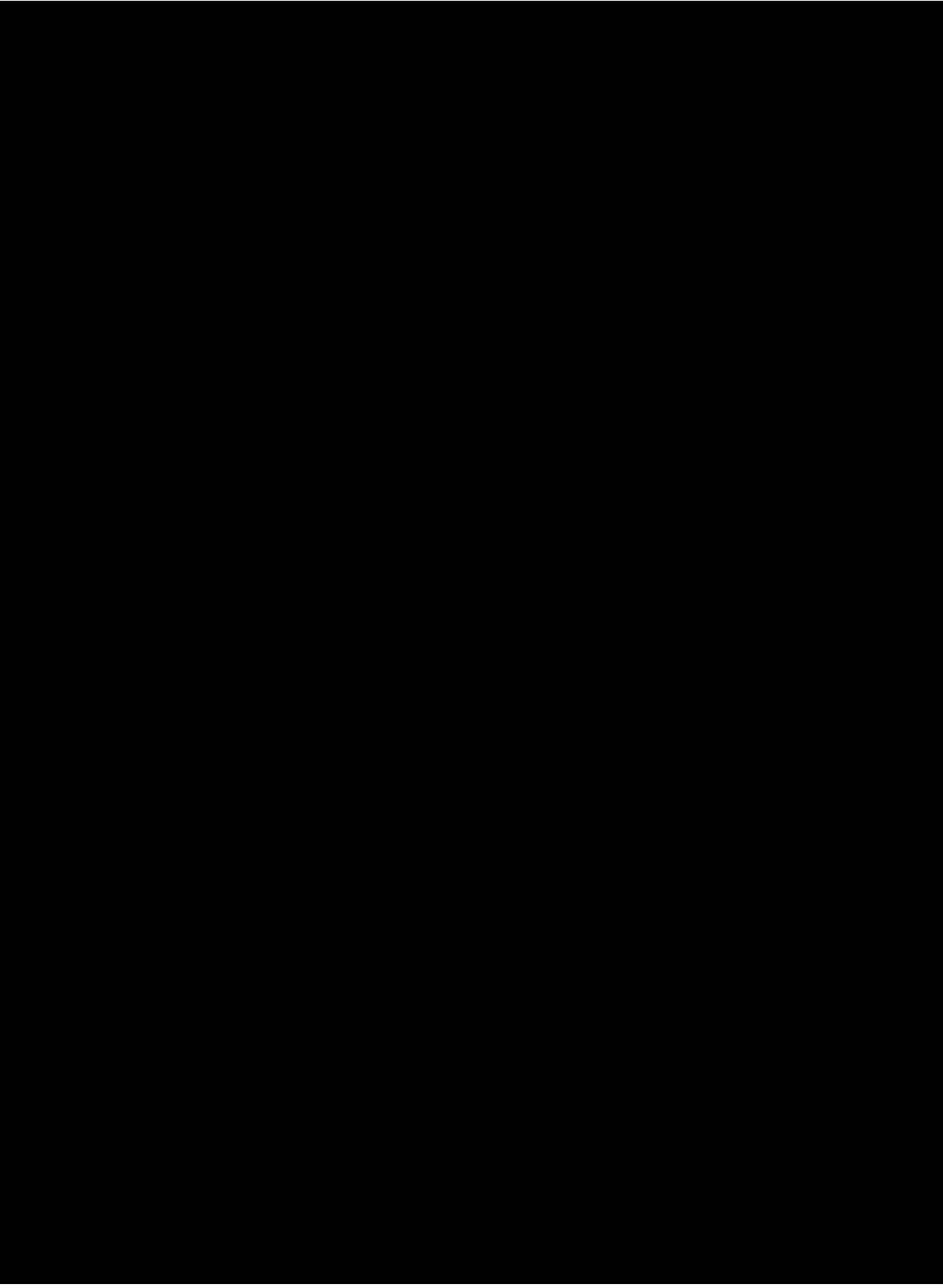
25 Q. Are there others in particular

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13 MR. WEIGEL: Sean, when you get
14 to a good breaking point.

15 MR. HECKER: We can break now.

16 THE VIDEOGRAPHER: We're going
17 off the record at 3:58 p.m.

18 This marks the end of media
19 three.

20 (Whereupon a break was taken)

21 THE VIDEOGRAPHER: We are back on
22 the record at 4:14 p.m.

23 This marks the beginning of
24 media four.

25 MR. WEIGEL: While we were off

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2 MR. WEIGEL: I object to the
3 form. Compound. Misstates the
4 record.

5 Q. You can go ahead.

6 A. Yes.

7 You're asking very hypothetical
8 question. We earned the money from wealth
9 management product went in the capital of
10 the bank. So with the leverage one to
11 ten, it was highly profitable business.
12 Also on the retail part of the bank, we
13 earned actually seventy percent interest.
14 So it was absolutely not a problem for
15 Probusinessbank to pay this high interest.

16 But it happened that, for a
17 specific short period of time, different
18 companies had specific funds while they
19 were transiting the capital so they tried
20 to use every day to earn something. So
21 that was not the main source of income but
22 an additional source of income in that
23 case.

24 But I'm not speaking about
25 Ambika here. I am explaining to you in

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1 S. Leontiev -- CONFIDENTIAL

2 general how the system worked.

3 Q. Explain to me how there was
4 leverage of one to ten on wealth
5 management products that were sold by the
6 offshore entities.

7 How was there leverage of one to
8 ten?

9 A. Because if I were to put the \$1
10 million which I -- the money that I took
11 from the client for even fourteen percent,
12 I would put it in the capital of the bank.
13 So the bank, Probusinessbank, will give
14 \$10 million on this \$1. So he will earn
15 interest on ten million while taking from
16 the client only one million.

17 Q. Because of the regulatory
18 capital requirements?

19 A. No, because this was an
20 investment. That's exactly the difference
21 between deposit and investment.
22 Investment will go into the capital of the
23 bank and from the capital I have an
24 opportunity to give -- I have a leverage
25 and on the leverage I would earn much more

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1 S. Leontiev -- CONFIDENTIAL
2 than on the capital itself. That's why it
3 was so interesting but that's why it was
4 also risky for the client and the clients
5 wanted to have fourteen percent, not two
6 percent, so that's why they were asking
7 for that product, and that's how it works.

8 Q. Did you have any personal
9 discussions with any of the people who
10 invested money in what you're describing
11 as wealth management products sold by
12 Probusinessbank through these offshore
13 entities?

14 A. I cannot remember.

15 Q. Did you have discussions prior
16 to investments made by Avilon with Avilon
17 representatives?

18 A. I never knew them. I met
19 Varshavsky first when the license was
20 revoked some period of time.

21 Q. [REDACTED] [REDACTED]
22 [REDACTED] [REDACTED] [REDACTED] [REDACTED]
23 [REDACTED] [REDACTED] [REDACTED] [REDACTED]
24 [REDACTED] [REDACTED] [REDACTED] [REDACTED]
25 [REDACTED] [REDACTED]

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S. Leontiev -- CONFIDENTIAL

2

A.

[REDACTED]

3

[REDACTED]

4

Q.

[REDACTED]

5

[REDACTED]

6

[REDACTED]

7

[REDACTED]

8

[REDACTED]

9

A.

[REDACTED]

10

Q.

[REDACTED]

11

A.

[REDACTED]

12

Q.

[REDACTED]

13

[REDACTED]

14

[REDACTED]

15

[REDACTED]

16

A.

[REDACTED]

17

Q.

[REDACTED]

18

[REDACTED]

19

[REDACTED]

20

A.

[REDACTED]

21

[REDACTED]

22

[REDACTED]

23

Q.

[REDACTED]

24

[REDACTED]

25

[REDACTED]

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1 S. Leontiev -- CONFIDENTIAL

2 A. [REDACTED]

3 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

4 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

5 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

6 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

7 [REDACTED]

8 Q. [REDACTED] [REDACTED] [REDACTED]

9 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

10 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

11 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

12 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

14 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

15 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

16 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

17 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

18 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

19 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

20 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

21 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

22 [REDACTED] [REDACTED]

23 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

24 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

25 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

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2 Q. You've read the testimony that
3 Mr. Zheleznyak gave in connection with
4 this case?

5 A. Can you say it once again?

6 Q. You've reviewed the testimony
7 that Mr. Zheleznyak gave when he was
8 deposed in this case?

9 A. If I see his --

10 Q. You've read his testimony?

11 A. Yes.

12 Q. You saw that he testified that
13 in 2008 that you asked him to acquire a
14 large loan from Avilon? Do you recall
15 seeing that testimony? Is that accurate?

16 A. Well, I was speaking at strategy
17 session which we held every month. There
18 were about three hundred managers there
19 and I was introducing the wealth
20 management product, 2008, I suppose, or
21 something like that. He was there so he
22 was one of the managers who was listening
23 to that.

24 Q. Did you ask him to acquire a
25 large loan from Avilon in particular in

1 S. Leontiev -- CONFIDENTIAL

2 2008?

3 A. I don't remember. I think we
4 discussed -- after I made the speech,
5 which was about two hours usually, then we
6 will have discussions and every manager
7 will tell him, look, I have such a number
8 of clients, I have such a number of
9 clients, so they will go and do. And
10 maybe he was telling me the type of
11 clients he has. It was not only Avilon.
12 He has at least twenty, thirty clients
13 like that. So usually -- in our
14 management system, they decide by
15 themselves, as I explained to you already.

16 Q. My question was really simple.

17 A. I don't recall telling him
18 exactly that. I don't remember telling
19 him exactly that but that could be
20 possible that we discussed something like
21 that.

22 Q. Okay.

23 And did you -- in 2008, was the
24 reason that you discussed with Mr.
25 Zheleznyak and others the need to raise

1 S. Leontiev -- CONFIDENTIAL

2 money because of the financial crisis?

3 Was that the reason that you needed to
4 raise funds?

5 A. Yes.

6 Q. And in order to do that, did you
7 need to offer investors higher rates of
8 return than historically would have been
9 provided?

10 A. No, not because of that but
11 because of the leverage which I explained
12 to you already.

13 Q. Did you need to raise large sums
14 to continue to do business and increase
15 the capital of the bank?

16 A. No.

17 Q. Did you agree with Mr.
18 Zheleznyak's testimony that at your
19 request he went and discussed the terms of
20 the large loan from Avilon?

21 A. I tell you what I remember.

22 Q. Is it your testimony that the
23 moneys that were raised by Ambika by
24 selling products for Probusinessbank were
25 transferred to the treasury of

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1 S. Leontiev -- CONFIDENTIAL

2 Probusinessbank and are no longer
3 available to repay investors?

4 A. Well, I don't know about this
5 deal but everything went to treasury
6 because it was product of the bank.

7 Q. And what about moneys loaned to
8 FG Life?

9 A. Can you specify the question?

10 Q. Sure.

11 What happened to the moneys that
12 were loaned to FG Life?

13 A. Went to the treasury.

14 Q. And in addition to going to the
15 treasury, some of the moneys also went to
16 other offshore off-balance-sheet entities
17 created by Probusinessbank employees;
18 correct?

19 A. They went for a short period of
20 time and then went treasury.

21 Q. [REDACTED]
22 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
23 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

24 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
25 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

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2 [REDACTED] [REDACTED] [REDACTED] [REDACTED]
3 [REDACTED] [REDACTED] I just told you one of the
4 options in principle which could happen.
5 But the end destination of all these funds
6 was treasury.

7 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

8 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

9 [REDACTED] [REDACTED] [REDACTED]

10 [REDACTED]

11 A. [REDACTED]

12 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

13 A. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

14 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

15 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

16 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] To

17 pay interest of fourteen percent to the
18 client we had to earn seventy and that's
19 why it had to go only to the bank and the
20 retail loans. That was the commonality of
21 this product.

22 Q. [REDACTED] [REDACTED] [REDACTED] [REDACTED]

23 [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

24 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

25 A. [REDACTED]

1 S. Leontiev -- CONFIDENTIAL

2 Q. So it didn't go to the treasury
3 in that --

4 A. But we don't know specifically
5 the source was wealth management product.

6 Q. Because money's fungible so it's
7 difficult to trace; right?

8 A. No, not because of that. Each
9 product was very traceable so we
10 understood the economy of each product and
11 there was a product department who know
12 for sure how many products they sold and
13 -- because you forgot that they were
14 getting their salary as a profit.
15 Everybody was getting a salary share of
16 profit. That's why everybody knew exactly
17 where, when, for what, and how much.

18 Q. Am I correct that after
19 Probusinessbank's license was revoked on
20 August 12, 2015, the bank was determined
21 to be insolvent?

22 A. What do you mean determined to
23 be insolvent?

24 Q. Was found insolvent.

25 A. I understand the procedure just

1 S. Leontiev -- CONFIDENTIAL

2 conference call?

3 A. Alexander asked me to call him
4 because he was making pressure on him. So
5 I called him and explained to him that we
6 have no deal, there is no settlement, that
7 he's not pressuring Alexander anymore. He
8 told me you must pay now specific amount
9 and I told him that I'm not going to pay
10 him anything. And then he told me that he
11 starts a war against me I will regret,
12 something like that.

13 Q. When was this call?

14 A. August.

15 Q. Was it within -- how long were
16 you in London after you left Moscow?

17 A. I came here, I don't remember
18 exactly, end of August or beginning of
19 September, so the call was before that.

20 Q. After you left Moscow, you went
21 to London; is that right?

22 A. Yes.

23 Q. And after London you came to the
24 U.S.?

25 A. Yes.

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1 S. Leontiev -- CONFIDENTIAL

2 Q. Did you travel anywhere else?

3 A. No.

4 Q. And so this call happened after
5 the in-person meeting but before you came
6 to New York at the end of August or
7 beginning of September?

8 A. Yes.

9 Q. This is 2015, August, 2015?

10 A. Of course.

11 Q. Did you ever meet with Mr.
12 Varshavsky in Gstaad?

13 A. Where?

14 Q. Gstaad? You don't know what
15 Gstaad is, the city?

16 A. No.

17 Q. You never met him any other time
18 in person?

19 A. No.

20 Q. During the meeting that you had
21 in London, am I correct that Mr.
22 Varshavsky did not threaten to bring
23 criminal charges against you if the moneys
24 were not repaid?

25 A. He was threatening the whole

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1 S. Leontiev -- CONFIDENTIAL

2 understand that to mean.

3 Q. Anything else in the London
4 meeting that you interpreted as a threat?

5 A. Sure.

6 35:44. Please understand
7 tomorrow there will be yes, we'll have the
8 expenses because we will need to defend
9 him. What could happen, he could be
10 arrested tomorrow, God forbid.

11 Q. And you interpret that to be a
12 threat to bring criminal charges against
13 you?

14 A. Sure. If we could bring
15 Alexander in jail then of course he can
16 bring me in jail.

17 Q. You don't interpret this to be a
18 statement about the possible expenses of
19 having to defend Mr. Zheleznyak if he's
20 arrested?

21 A. Well, look, we're not children.
22 If he's saying something like that, you
23 must understand who Varshavsky is, you get
24 it as a real threat.

25 I'll give you some more points,

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1 S. Leontiev -- CONFIDENTIAL

2 statement, of course, again.

3 So actually, as I explained
4 already, it's the head of the business
5 unit who will be doing deal with another
6 head of another business unit and they
7 will just use the entity as a vehicle for
8 that. So that will be -- you always --
9 when you say that the off-balance-sheet
10 entity was doing business, you're always
11 wrong, you always oppose that because they
12 were doing no business, they were
13 infrastructures. You must go after the
14 source of funds. So if you go after the
15 -- that's what recommend you to do. So if
16 you go after the source of funds, you must
17 find who owes the money. And this is
18 always a business unit in our structure.
19 So this business unit would take a
20 decision and not an off-balance-sheet
21 company which he just uses as a part of
22 infrastructure.

23 Q. I don't understand it, but
24 that's fine.

25 A. I can try it once again.

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2 Q. I don't think it's going to get
3 clear.

4 At the beginning of your
5 deposition today I asked you questions
6 about whether you made efforts to collect
7 documents from certain entities that were
8 involved in the litigation. I want to ask
9 you specifically go FG Life.

10 FG Life is a company that was
11 owned by Alivikt; correct?

12 A. Yes.

13 Q. And did you undertake to locate
14 FG Life documents that were relevant to
15 the issues in the litigation?

16 A. I gave everything I had.

17 Q. I'm asking about FG Life in
18 particular.

19 A. Yes, I gave all my devices and
20 they took everything which I said. I
21 don't have anything else.

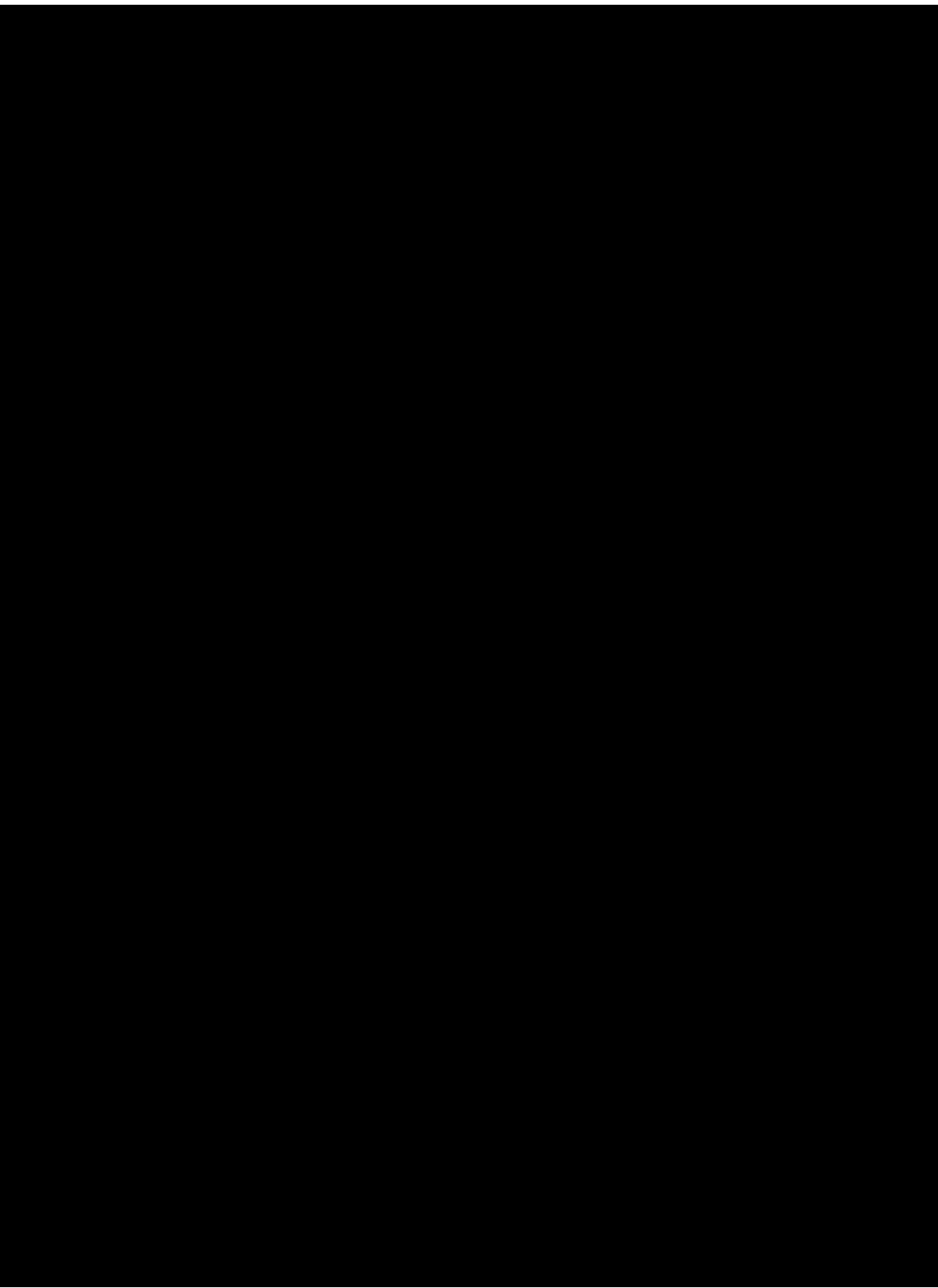
22 Q. Where did FG Life documents
23 live?

24 A. I don't know.

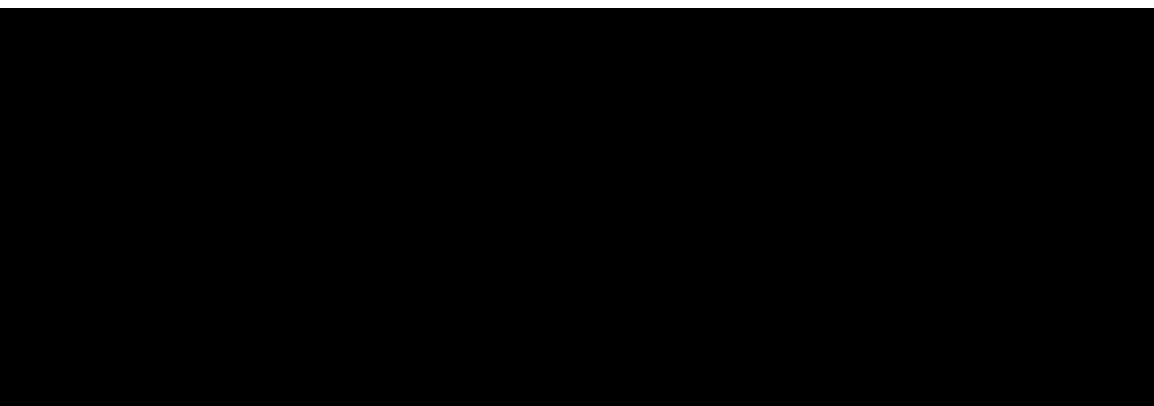
25 Q. You don't know.

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7 Q. Do you agree with me that, as
8 the managing shareholder of
9 Probusinessbank, that you had at least an
10 indirect relationship with the
11 off-balance-sheet companies created by
12 Probusinessbank employees?

13 MR. WEIGEL: I object to the form
14 of the question.

15 Q. You can answer.

16 A. I was the president of the bank.
17 These companies were part of the
18 infrastructure. I don't fully understand.

19 Q. So as the president of the bank,
20 do you believe you had a direct or
21 indirect relationship with the
22 off-balance-sheet entities created by bank
23 employees who worked for you?

24 MR. WEIGEL: At what point in
25 time?

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2 THE WITNESS: What time?

3 Q. At any point in time.

4 A. There's no connection. So there
5 were hundreds of companies. I didn't know
6 their names, I didn't know that they
7 existed at all.

8 Q. You've described them as part of
9 the infrastructure of Probusinessbank;
10 right?

11 A. Of course.

12 Q. And you were president of
13 Probusinessbank?

14 A. Yes.

15 Q. So do you think you had a
16 relationship directly or indirectly with
17 the infrastructure of Probusinessbank?

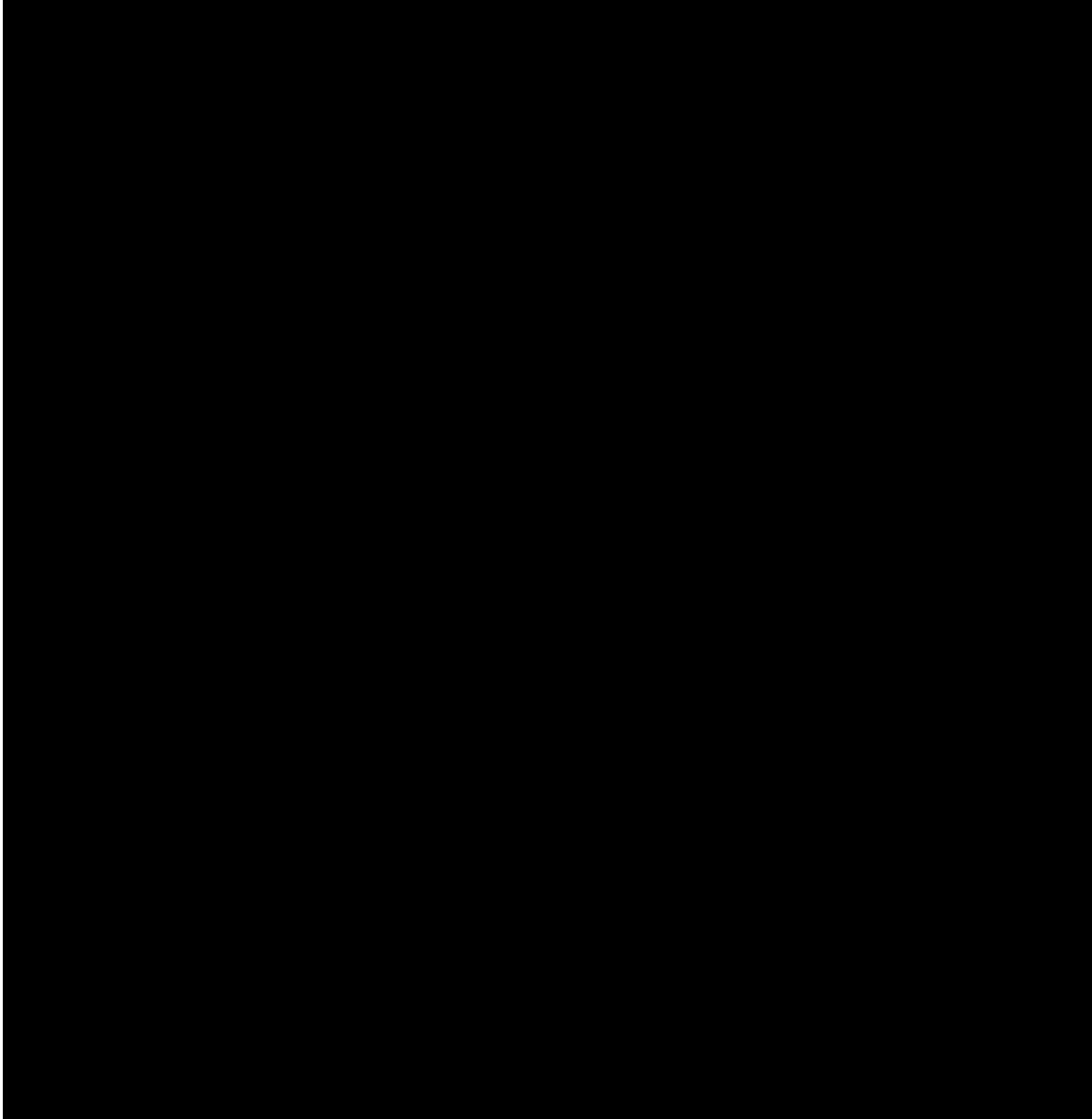
18 A. I have relationship with this
19 room. I have relationship with you now.
20 What kind of relationship?

21 Q. So you don't understand the
22 nature of the question that was being
23 asked in this?

24 A. I don't understand at all what
25 kind of nature.

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20 MR. WEIGEL: I object to the
21 form.

22 THE WITNESS: Indirect relation?

23 Every person has an indirect
24 relationship to other person. We have
25 now with each other an indirect

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1 S. Leontiev -- CONFIDENTIAL
2 relationship.

3 If you would be more specific
4 what kind of indirect relationship you
5 are talking about.

6 Q. Did you have an indirect
7 relationship with Dunning and Finbay?

8 A. Let me answer. I was the
9 president of the bank and these companies
10 were off-balance-sheet companies, part of
11 infrastructure of the bank. That's my
12 answer to the question.

13 Q. We've spoken about Vadim
14 Kolotnikov.

15 Am I correct he's now working
16 for you at Grid Research?

17 A. Yes.

18 Q. You pay him a salary on a
19 regular basis?

20 A. The company pays him a salary.

21 Q. And you're the owner of the
22 company?

23 A. I have CEO of the company.

24 Q. Are you an owner of the company?

25 A. No.

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2 CERTIFICATION BY REPORTER

3

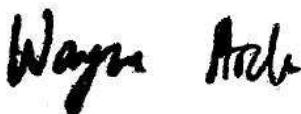
4 I, Wayne Hock, a Notary Public of the
5 State of New York, do hereby certify:

6 That the testimony in the within
7 proceeding was held before me at the
8 aforesaid time and place;

9 That said witness was duly sworn
10 before the commencement of the testimony,
11 and that the testimony was taken
12 stenographically by me, then transcribed
13 under my supervision, and that the within
14 transcript is a true record of the
15 testimony of said witness.

16 I further certify that I am not
17 related to any of the parties to this
18 action by blood or marriage, that I am not
19 interested directly or indirectly in the
20 matter in controversy, nor am I in the
21 employ of any of the counsel.

22 IN WITNESS WHEREOF, I have hereunto
23 set my hand this 10th day of January, 2017

24 

25

WAYNE HOCK